

**City of Rockville, Maryland**

# **Comprehensive Annual Financial Report**



Prepared by:  
Department of Finance

Gavin Cohen  
Chief Financial Officer

Sharon Collins  
Interim Accounting Manager

Fiscal Year 2010  
July 1, 2009 - June 30, 2010

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## **Introductory Section**





October 29, 2010

Honorable Mayor and Members of the City Council  
City of Rockville, Maryland

State law requires that all general purpose local governments publish, within four months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants (CPA's). Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Rockville, Maryland (City), for the year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Reznick Group, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As part of the independent audit of the financial statements, a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies was performed. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the independent auditors report.

#### PROFILE OF THE GOVERNMENT

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Mayor and Council. The Mayor and Council are responsible, for passing ordinances,



adopting the budget, appointing boards and commissions, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Mayor and Council, overseeing day-to-day operations of the government, and appointing the directors of the various departments.

The City provides a full range of services, including water, sewer, refuse, parking, streets and drainage, recreation and parks, police, planning and zoning, community development and community services. Schools, libraries, social services and fire protection are provided by Montgomery County, Maryland.

The City was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 64,860 and a land area of 13.50 square miles. According to the 2000 census, the City is the third largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large council members, who are elected for a two year term.

As a management policy, unreserved and undesignated General Fund fund balance will be maintained at a level not less than 15 percent of annual general fund revenue. The purpose of the unreserved balance is to alleviate significant unanticipated budget shortfalls and to ensure orderly provision of services to residents. To the extent the unreserved General Fund balance exceeds the target, the City will draw upon the fund balance to provide pay-as-you-go financing for capital projects and for other one time capital items.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 59 as part of the required supplementary information section for the governmental funds. For governmental funds, other than the General Fund, the appropriated annual budgets are presented on pages 61, 64 and 65.

## FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from a broader perspective of the specific environment within the operations of the City.

### LOCAL ECONOMY

The City's economic environment mirrors what's currently being experienced regionally and nationally. Unemployment remains high but relatively stable due to the presence of the Federal government and many governmental employees that live and work in the City. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, bio-tech and several financial institutions.

The City has an employed labor force of approximately 83,972. The City had experienced substantial residential and commercial growth in the past. Due to the recession, this growth has slowed down. The national recession has resulted in little to no growth for the City's assessable tax base, as well. The impact of the recession has had a government-wide effect lowering revenue streams in most areas.

The following table lists the labor force, employed persons and average unemployment rates for Montgomery County as compared to the unemployment rates for the State of Maryland for the years 2006 through 2010. Information presented in the table below has not been seasonally adjusted.





### Unemployment Statistics

| Year | Montgomery County |            |              |                   | State of Maryland |
|------|-------------------|------------|--------------|-------------------|-------------------|
|      | Labor Force       | Employment | Unemployment | Unemployment Rate | Unemployment Rate |
| 2010 | 510,396           | 481,754    | 28,642       | 5.60%             | 7.30%             |
| 2009 | 521,920           | 493,161    | 28,759       | 5.50%             | 7.40%             |
| 2008 | 512,760           | 498,396    | 14,364       | 2.80%             | 3.80%             |
| 2007 | 512,130           | 498,279    | 13,851       | 2.70%             | 3.60%             |
| 2006 | 516,688           | 504,751    | 14,937       | 2.90%             | 3.90%             |

*Source: Maryland Division of Employment Security.*

The City is dealing with the economic slowdown as the State of Maryland is significantly reducing revenues to local municipalities. The City is prepared for several more years of reduced revenues. The City will continue its fiscal responsibility by reducing costs and seeking diverse revenues while maintaining quality services and programs.

### **LONG - TERM FINANCIAL PLANNING**

The City spends significant time and resources planning for the future. Through a mix of land use, financial management policies, and forecasting, the City's goal is to maximize its current use of resources to ensure stability. The success of these initiatives is reflected in the City's credit rating from both Standards and Poor's and Moody's rating agencies. Both agencies rated all of the City's debt at AAA and Aaa. The City's financial policies serve as guidelines that allow the City to make prudent long-term financial decisions.

Included in the City's budget is a five year forecast of the City's General and Enterprise Funds, which allows policy makers to see the financial impact of their decisions for five years. Most importantly, the City continues to maintain its General Fund reserve levels above 15% of revenue. Careful monitoring of the City's property values, debt and charging fees at full cost recovery, where possible, will ensure the financial health of the City.

### **MAJOR INITIATIVES**

- The City celebrated its sesquicentennial in March.
- The redesign for the College Gardens park was completed. The six acre redesigned and reconstructed park cost \$1.4million, and provides sports opportunities for families along with playground equipment for kids, and a modern stormwater pond.
- The new Falls Grove park was completed. This park features a playground, gazebo, garden plots, tennis courts, an adult fitness area and an open multi-use playing field.
- The City finished ten sidewalk projects totaling 6,500 feet of brand new sidewalk.
- The City adopted a new comprehensive stormwater ordinance that established the City as a lead in stormwater management in Maryland.



## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the 20th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements. We are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including: a policy document, a financial plan, an operations guide and a communications device. The City also received the GFOA's award of Outstanding Achievement for the Popular Annual Financial Reporting (PAFR) for the fiscal year 2009. This is the second year the City has received this award. The PAFR is specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in finance.

This report could not have been prepared without the dedicated cooperation of the entire staff of the Finance Department. Special recognition is extended to Sharon Collins, Trupti Singh, Stacey Tate, Fran Jablonski, Tim Peifer, Wanda Roelkey, Jeannie Matthews, Nancy Zombolas and Eric Ferrell for the sense of commitment they displayed throughout the preparation process. We also would like to express our appreciation to the Mayor and Council for their interest and support in planning and carrying out the City's financial operations in a responsible manner.

Respectfully submitted

A handwritten signature in dark ink, appearing to read "Scott Ullery".

Scott Ullery  
City Manager

A handwritten signature in dark ink, appearing to read "Gavin Cohen".

Gavin Cohen  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockville  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

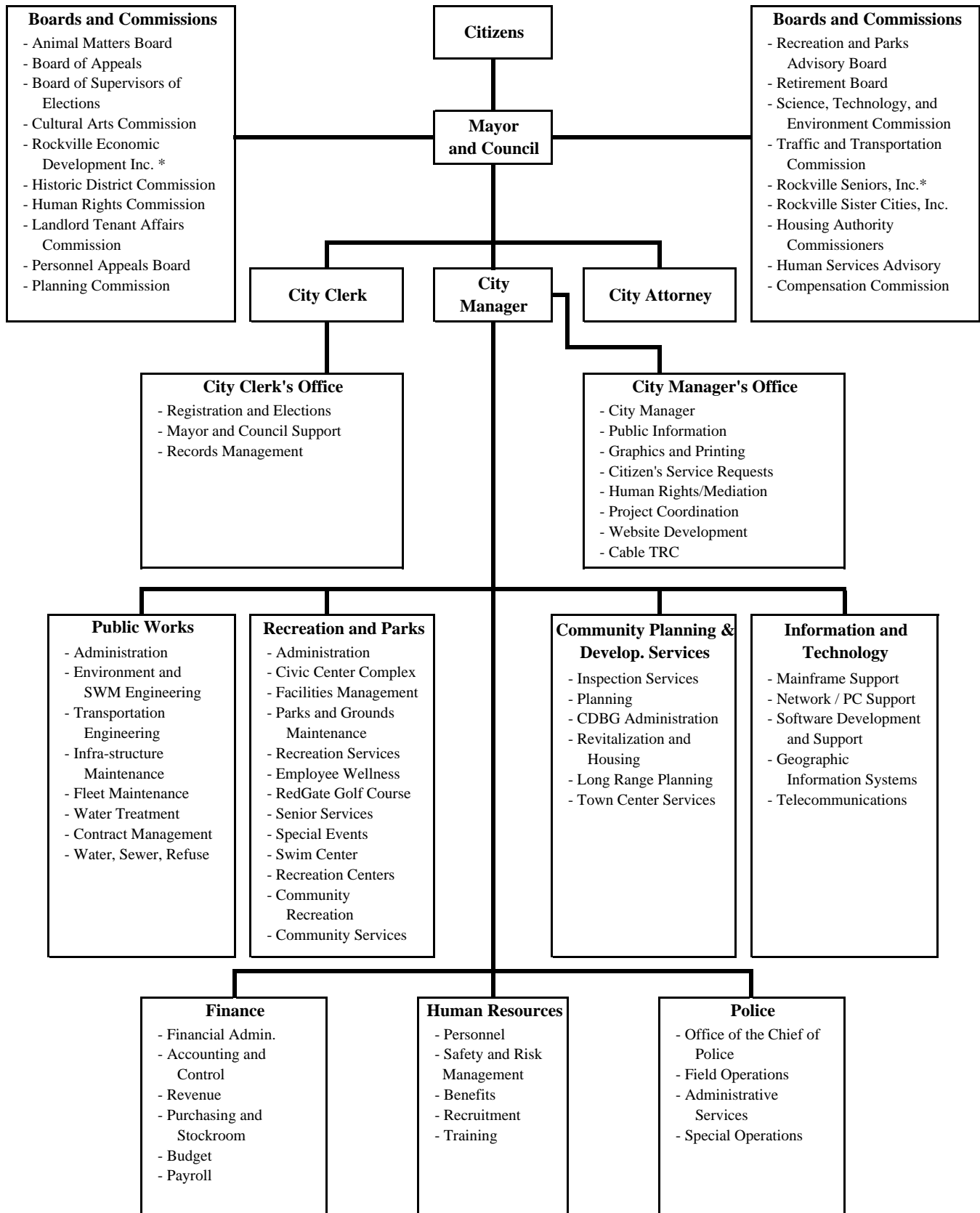
A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

# City of Rockville Organizational Chart

Attachment A

June 2010



\* Affiliated Organization

**CITY OF ROCKVILLE, MARYLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2010**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

**MAYOR**

Phyllis Marcuccio

**COUNCIL MEMBERS**

John Britton

Bridget Donnell Newton

Piotr Gajewski

Mark Pierzchala

**CITY MANAGER**

Scott Ullery

**CITY CLERK**

Glenda Evens

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## **Financial Section**







Reznick Group, P.C.  
 500 East Pratt Street  
 Suite 200  
 Baltimore, MD 21202-3100  
 Tel: (410) 783-4900

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of the City Council and City Manager  
 City of Rockville, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockville, Maryland (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockville, Maryland, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis and Public Employee Retirement System information on pages 15 through 22 and 57 and 58, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockville, Maryland's basic financial statements. The Budgetary Comparison Schedule - General Fund on page 59 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). The financial information listed as other supplementary information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Reznick Group, P.C.*

Baltimore, Maryland  
October 29, 2010

## **Management's Discussion and Analysis**



## **Management's Discussion and Analysis**

As management of the City of Rockville (the City), we offer readers of the City's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-8 of this report and the financial statements beginning on page 23.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the current fiscal year by \$293,513,153 (net assets). Of this amount, \$40,035,644 (unrestricted net assets) may be used to meet the City's ongoing obligations to residents and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40,459,763. Approximately 6.1% of this total amount, \$2,476,831, is reserved for debt service.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$14,031,467 or 26.5% of total General Fund expenditures.
- The City's total bonded debt decreased by \$7,616,598 or 6.5% during the current fiscal year.
- Interest on investment earnings earned by the City's general investment portfolio totaled \$218,782 for an average rate of return of 0.07%. The average daily investment portfolio was \$56,046,114.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements:**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the City's assets and liabilities, with the difference between the two reported as net assets. Over time, fluctuations in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, public works, and recreation and parks. The business-type activities of the City include Water, Sewer, Refuse, Stormwater Management, Parking and Golf Course operations.

The government-wide financial statements can be found on pages 23-24 of this report.

## **Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Reconciliations are provided between the Governmental Funds Balance Sheet and the government-wide Statement of Net Assets and also between the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds and the government-wide Statement of Activities.

The City maintains seven individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 62 – 63 of this report.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund and Non-Major Governmental Funds. Budgetary comparison statements can be found on pages 59, 61, 64 and 65, respectively.

The governmental fund financial statements can be found on pages 25 and 27 of this report.

**Proprietary funds.** The City maintains six different enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, refuse, stormwater management, parking, and golf course operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the Water, Sanitary Sewer, Refuse, Parking, Stormwater Management and the RedGate Golf Course, which are considered the major funds of the City. The Refuse and RedGate Golf Course Funds do not meet the requirements of a major fund, but management has elected to report these funds as major.

The enterprise fund financial statements and cash flows can be found on pages 29-32 of this report.

**Fiduciary funds.** The Pension Trust Fund is used to account for resources held for the benefit of parties outside the government. The Pension Trust Fund is not reflected in the government-wide financial statement because the resources of this fund are not available to support the City's own programs. The accounting used for the trust fund is much like that used for proprietary funds.

The Pension Trust Funds financial statement can be found on pages 33 and 34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 55 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules for major governmental funds. Required supplementary information can be found beginning on page 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and budgetary comparison schedules can be found on pages 62 through 65 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$293,513,153 at the close of the most recent fiscal year.

The largest portion of the City's net assets (86.4%) is reflected in its investment in capital assets (e.g., CIP and infrastructure), less any related debt, used to acquire those assets that is still outstanding, excluding unspent debt proceeds of \$543,165. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Rockville's Net Assets

|   | Governmental Activities |                | Business-Type Activities |                | Total          |                |
|---|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|   | 2009*                   | 2010           | 2009                     | 2010           | 2009*          | 2010           |
| Current and Other Assets                        | \$ 48,455,373           | \$ 39,351,629  | \$ 23,235,464            | \$ 15,244,040  | \$ 71,690,837  | \$ 54,595,669  |
| Capital Assets                                  | 230,866,010             | 237,957,540    | 116,338,296              | 126,148,456    | 347,204,306    | 364,105,996    |
| Total Assets                                    | \$ 279,321,383          | \$ 277,309,169 | \$ 139,573,760           | \$ 141,392,496 | \$ 418,895,143 | \$ 418,701,665 |
| Long-term Liabilities                           | 44,407,232              | 41,005,137     | 78,322,590               | 74,227,424     | 122,729,822    | 115,232,561    |
| Other Liabilities                               | 7,293,224               | (2,157,619)    | 5,060,067                | 12,113,570     | 12,353,291     | 9,955,951      |
| Total Liabilities                               | \$ 51,700,456           | \$ 38,847,518  | \$ 83,382,657            | \$ 86,340,994  | \$ 135,083,113 | \$ 125,188,512 |
| Net Assets:                                     |                         |                |                          |                |                |                |
| Invested in Capital Assets, Net of Related Debt | 190,671,208             | 201,226,769    | \$ 38,831,178            | \$ 52,250,740  | 229,502,386    | 253,477,509    |
| Unrestricted                                    | 36,949,719              | 37,234,882     | 17,359,925               | 2,800,762      | 54,309,644     | 40,035,644     |
| Total Net Assets                                | \$ 227,620,927          | \$ 238,461,651 | \$ 56,191,103            | \$ 55,051,502  | \$ 283,812,030 | \$ 293,513,153 |

\*Restatements consisted of the following: 1) The General Fund was restated by \$51,566 of cash that was inadvertently excluded from the cash balance; 2) The Capital Projects Fund transferred \$1,358,089 for certain capital projects to the Special Activities Fund (the net effect of this transaction was \$-0- to the Statement of Net Assets); The Automated Speed Enforcement Fund was restated by (\$36,383) to correct Machinery and Equipment inappropriately capitalized.

At the end of the current fiscal year, the balance of unrestricted net assets totaling \$40,035,644 may be used to meet the City's ongoing obligations to residents and creditors. The City is able to report positive net asset balances for the City as a whole, as well as for its separate governmental and business-type activities, for the most recent fiscal year.

The governmental activities invested in capital assets, net of related debt, increased by 10,555,561 or 5.5%. Most of this increase is related to capital projects expenditures.

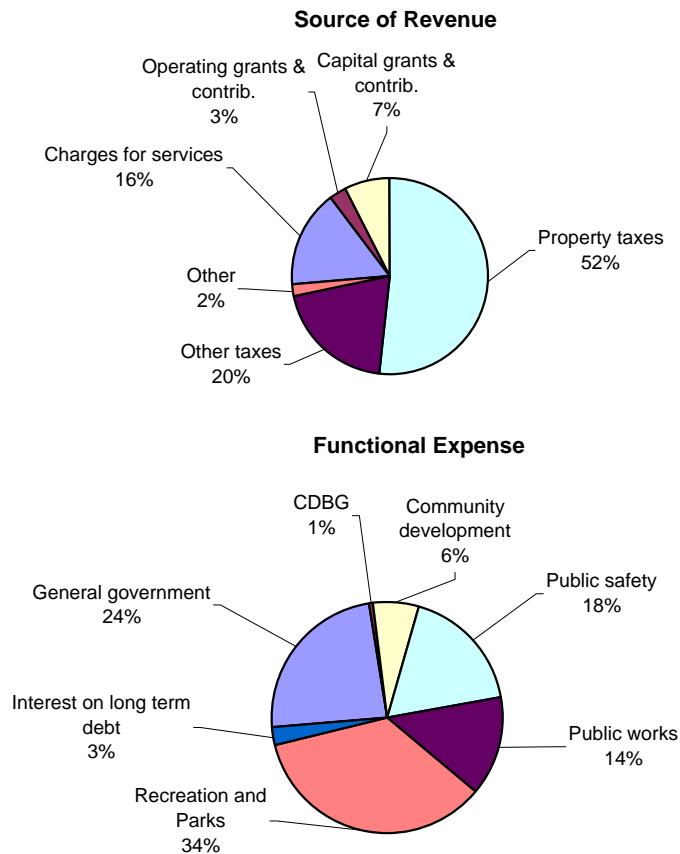
The business-type activities invested in capital assets, net of related debt, increased by 13,419,562 or 34.6%. Several ongoing construction projects in the Water and Sanitary Sewer Funds were completed and capitalized in the current year.

**City of Rockville's Change in Net Assets**

|  | Governmental Activities |                       | Business-Type Activities |                      | Total                 |                       |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|  | 2009*                   | 2010                  | 2009                     | 2010                 | 2009*                 | 2010                  |
| Revenues:                                      |                         |                       |                          |                      |                       |                       |
| Program revenues:                              |                         |                       |                          |                      |                       |                       |
| Charges for services                           | \$ 11,728,444           | \$ 11,273,714         | \$ 22,563,387            | \$ 25,001,704        | \$ 34,291,831         | \$ 36,275,418         |
| Operating grants & contrib.                    | 2,169,862               | 1,951,177             | -                        | -                    | 2,169,862             | 1,951,177             |
| Capital grants & contrib.                      | 4,349,929               | 5,200,111             | -                        | -                    | 4,349,929             | 5,200,111             |
| General revenues:                              |                         |                       |                          |                      |                       |                       |
| Property taxes                                 | 35,498,520              | 35,958,915            | -                        | -                    | 35,498,520            | 35,958,915            |
| Other taxes                                    | 16,327,029              | 13,867,751            | -                        | -                    | 16,327,029            | 13,867,751            |
| Other  | 1,204,281               | 1,353,082             | 242,160                  | 14,411               | 1,446,441             | 1,367,493             |
| <b>Total Revenues:</b>                         | <b>\$ 71,278,065</b>    | <b>\$ 69,604,750</b>  | <b>\$ 22,805,547</b>     | <b>\$ 25,016,115</b> | <b>\$ 94,083,612</b>  | <b>\$ 94,620,865</b>  |
| Expenses:                                      |                         |                       |                          |                      |                       |                       |
| General government                             | \$ 14,068,981           | \$ 14,479,318         | \$ -                     | \$ -                 | \$ 14,068,981         | \$ 14,479,318         |
| CDBG   | 292,500                 | 336,574               | -                        | -                    | 292,500               | 336,574               |
| Community development                          | 5,592,503               | 3,817,837             | -                        | -                    | 5,592,503             | 3,817,837             |
| Public safety                                  | 9,537,975               | 10,718,613            | -                        | -                    | 9,537,975             | 10,718,613            |
| Public works                                   | 7,013,916               | 8,249,148             | -                        | -                    | 7,013,916             | 8,249,148             |
| Recreation and Parks                           | 20,106,554              | 21,100,499            | -                        | -                    | 20,106,554            | 21,100,499            |
| Interest on long term debt                     | 1,696,785               | 1,568,037             | -                        | -                    | 1,696,785             | 1,568,037             |
| Water  | -                       | -                     | 6,277,841                | 7,033,399            | 6,277,841             | 7,033,399             |
| Sewer  | -                       | -                     | 5,978,046                | 5,938,443            | 5,978,046             | 5,938,443             |
| Refuse   | -                       | -                     | 5,367,619                | 5,389,135            | 5,367,619             | 5,389,135             |
| Parking  | -                       | -                     | 2,436,440                | 2,068,626            | 2,436,440             | 2,068,626             |
| Stormwater management                          | -                       | -                     | 1,871,839                | 2,625,807            | 1,871,839             | 2,625,807             |
| Golf Course                                    | -                       | -                     | 1,496,244                | 1,594,306            | 1,496,244             | 1,594,306             |
| <b>Total Expenses:</b>                         | <b>\$ 58,309,214</b>    | <b>\$ 60,270,026</b>  | <b>\$ 23,428,029</b>     | <b>\$ 24,649,716</b> | <b>\$ 81,737,243</b>  | <b>\$ 84,919,742</b>  |
| Increase in net assets before transfers        | 12,968,851              | 9,334,724             | (622,482)                | 366,399              | 12,346,369            | 9,701,123             |
| Transfers                                      | 1,462,000               | 1,506,000             | (1,462,000)              | (1,506,000)          | -                     | -                     |
| Increase/(Decrease) in net assets              | 14,430,851              | 10,840,724            | (2,084,482)              | (1,139,601)          | 12,346,369            | 9,701,123             |
| Adjustments to restate net assets              | -                       | 15,183                | -                        | -                    | -                     | 15,183                |
| Net assets - beginning, as previously reported | 213,174,893             | 227,605,744           | 58,275,585               | 56,191,103           | 271,450,478           | 283,796,847           |
| <b>Net assets – ending</b>                     | <b>\$ 227,605,744</b>   | <b>\$ 238,461,651</b> | <b>\$ 56,191,103</b>     | <b>\$ 55,051,502</b> | <b>\$ 283,796,847</b> | <b>\$ 293,513,153</b> |

\*Restatements consisted of the following: 1) The General Fund was restated by \$51,566 of cash that was inadvertently excluded from the cash balance; 2) The Capital Projects Fund transferred \$1,358,089 for certain capital projects to the Special Activities Fund (the net effect of this transaction was \$-0- to the Statement of Net Assets); The Automated Speed Enforcement Fund was restated by (\$36,383) to correct Machinery and Equipment inappropriately capitalized.



**Governmental Activities For the Fiscal Year Ended June 30, 2010**

**Governmental activities.** Governmental activities net assets were \$238,461,651 at the end of the fiscal year, an increase of \$10,840,724 or 4.8% over beginning net assets. Due to budget cuts from several funding sources, such as the State of Maryland and Montgomery County, MD, operating grant revenue decreased by \$218,685. The charges for services also decreased by \$454,730. With the anticipation of the above factors, the City was able to budget the current fiscal year, keeping all necessary programs intact, showing an overall increase in fund balance.

**Business-type activities.** Business-type activities total net assets decreased by (\$1,139,601) or 2.0% over beginning net assets. Due to the current recession, the enterprise funds experienced larger delinquent balances than in prior years with regard to services provided by the City to the residents. Although revenues increased by \$2,210,568, expenses increased by \$1,221,687 causing the enterprise funds to require funding from the General Fund to fund operating costs.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's short term financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$40,459,763, an increase of \$640,638 or 1.6% in comparison with the prior fiscal year. The unreserved fund balance had a balance of \$32,615,200. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period of \$1,024,284; 2) to pay debt service of \$2,476,831; or 3) for a variety of other restricted purposes of \$806,993.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$14,031,467, while total fund balance reached \$15,288,849.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.5% of total general fund expenditures, while total fund balance represents 28.9% of that same amount.

The fund balance of the City's General Fund increased by \$1,631,907 during the current fiscal year. The increase is related to the City's tax revenues coming in stronger than anticipated along with decreases in spending during the current fiscal year.

The Debt Service Fund has a total fund balance of \$2,476,831, all of which is reserved for the payment of debt service. The decrease in fund balance during the current fiscal year in the debt service fund was \$674,953. This decrease is due to the current fiscal year's payments of principal on related loans and bonds.

The fund balance of the Capital Projects Fund decreased by \$458,865 during the current fiscal year. Construction began on the Rockville Intermodal Access project and the design phase was completed for the Pumphouse Facility Improvement project. In addition, several ongoing construction projects were completed during the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide similar information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the Water, Sewer, Refuse, Parking, Stormwater Management, and RedGate Golf Course Funds at the end of the year amounted to (\$3,364,030), (\$2,703,045), \$2,911,611, \$4,180,595, \$3,426,428 and (\$1,650,797), respectively.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget included a \$2,338,563 decrease of revenues from the original adopted budget due to a decrease in Gas and Motor Vehicle Taxes and Fines and Forfeitures revenues. Operating expenses in the final amended budget included a \$1,332,343 increase from the original adopted budget. The increase includes \$853,905 for reappropriation of FY09 encumbrances and an increase to the operating costs for Public Works.

Actual expenditures were \$1,151,362 less than the final amended budget. This decrease is a result of operating cost reductions across all programs. The increase in revenues is a result of income taxes received totaling \$1,006,947 more than budgeted and property taxes received totaled \$1,109,698 more than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$364,105,996 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and water and sewer improvements. The total increase in the City's investment in capital assets for the current fiscal year was \$16,901,690 or 4.9% (a 3.1% increase for governmental activities and a 8.4% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction on the Thomas Farm Community Center was completed; construction costs at the end of the current fiscal year were \$5,636,729.
- Completion of several utility projects occurred in FY2010: Meter Replacement was completed with construction costs as of the end of the current year in the amount of \$4,270,008; Construction was completed on a separate water pump station in the amount of \$3,272,755.
- A project representing the City's share of costs to upgrade and enhance the wastewater treatment and solids handling facilities at the Blue Plains Wastewater Treatment Plant was closed; construction costs at the end of the current fiscal year were \$21,670,510.

### City of Rockville's Capital Assets, Net of Accumulated Depreciation

|                              | Governmental Activities |                | Business-Type Activities |                | Total          |                |
|------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|                              | 2009                    | 2010           | 2009                     | 2010           | 2009           | 2010           |
| Land                         | \$ 7,843,832            | \$ 7,843,832   | \$ 2,058,940             | \$ 2,058,940   | \$ 9,902,772   | \$ 9,902,772   |
| Buildings                    | 22,444,472              | 29,172,212     | 26,688,153               | 25,957,247     | 49,132,625     | 55,129,459     |
| Improv. other than buildings | 3,205,065               | 3,618,803      | 36,595,952               | 65,607,650     | 39,801,017     | 69,226,453     |
| Machinery and Equipment      | 5,275,764               | 7,692,111      | 2,499,460                | 2,553,515      | 7,775,224      | 10,245,626     |
| Infrastructure               | 94,109,782              | 94,763,894     | -                        | -              | 94,109,782     | 94,763,894     |
| Purchased Capacity           | -                       | -              | 12,917,979               | 12,612,390     | 12,917,979     | 12,612,390     |
| Construction in Progress     | 97,987,095              | 94,866,688     | 35,577,812               | 17,358,714     | 133,564,907    | 112,225,402    |
| Total                        | \$ 230,866,010          | \$ 237,957,540 | \$ 116,338,296           | \$ 126,148,456 | \$ 347,204,306 | \$ 364,105,996 |

Additional information on the City's capital assets can be found in note (2) C on pages 42-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$115,232,561, which is backed by the full faith and credit of the government.

**City of Rockville's Outstanding Debt**

|  | Governmental Activities |               | Business-Type Activities |               | Total          |                |
|--|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
|  | 2009                    | 2010          | 2009                     | 2010          | 2009           | 2010           |
| General Obligation Bonds                     | \$ 40,194,802           | \$ 36,730,771 | \$ 77,507,118            | \$ 73,354,551 | \$ 117,701,920 | \$ 110,085,322 |
| Accrued Obligations for Compensated Balances | 4,212,430               | 4,274,366     | 815,472                  | 872,873       | 5,027,902      | 5,147,239      |
| Total Long-Term Liabilities                  | \$ 44,407,232           | \$ 41,005,137 | \$ 78,322,590            | \$ 74,227,424 | \$ 122,729,822 | \$ 115,232,561 |

The City's total bonded debt decreased by \$7,616,598 (6.5%) compared to the prior fiscal year. The key factor in this decrease was the principal repayment of debt totaling \$3,464,030 for governmental activities and \$3,924,941 for business-type activities. Compensated absences increased by \$119,337 (2.4%) during the fiscal year.

The City has been awarded a "AAA" rating from Standard & Poor's and a "Aaa" rating from Moody's Investor Service for its general obligation debt.

Additional information on the City's long-term debt can be found in note (2) E on pages 44-48 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unemployment rate for the City and the State of Maryland is lower than the national average rate.
- The impact of the recession is still in affect.
- Revenues will be flat or declining and costs are going up.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

The rate of new development has slowed considerably, and some property assessments are decreasing due to current economic conditions. The total taxable assessed value from FY 10 to FY 11 is estimated to increase by only 1.6 percent. This reflects a major decrease in assessed values compared to previous years. The property tax rate will stay the same as FY 10 with a rate of \$0.292 per \$100 of assessed valuation. The budget includes a one-time tax credit of \$100 for every owner-occupied household through the States income tax offset program.

The water and sewer rates increased for the 2011 budget year. The water rates increased by 25 percent and the sewer rates increased by 3.8 percent for all customers, while refuse rate remained the same at \$32.70 per month. The water and sewer rates affected both residential and industrial consumers by approximately the same percentage. The refuse rate applies only to residential customers. The increase in water and sewer rates are due to an increase in operating and capital expenses to replace aging infrastructure. The City began collecting a Stormwater fee during FY2010 in the amount of \$40 per equivalent Residential Unit. In FY2011, this fee will increase to \$49.20.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Rockville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 111 Maryland Avenue, City of Rockville, Rockville, Maryland, 20850.

## **Basic Financial Statements**



## City of Rockville, Maryland

Statement of Net Assets  
June 30, 2010

|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>Assets</b>                                     |                            |                             |                       |
| Equity in pooled cash and cash equivalents        | \$ 34,157,623              | \$ 8,298,065                | \$ 42,455,688         |
| Property tax receivable, net                      | 201,411                    | -                           | 201,411               |
| Accounts receivables, net                         | 1,133,717                  | 6,914,291                   | 8,048,008             |
| Due from other governments                        | 2,194,581                  | -                           | 2,194,581             |
| Assessments receivable                            | -                          | 759                         | 759                   |
| Other assets                                      | 779,687                    | 579                         | 780,266               |
| Unbilled assessments receivable                   | 884,610                    | 30,346                      | 914,956               |
| Capital assets (net of accumulated depreciation): |                            |                             |                       |
| Land  | 7,843,832                  | 2,058,940                   | 9,902,772             |
| Construction in progress                          | 94,866,688                 | 17,358,714                  | 112,225,402           |
| Buildings   | 29,172,212                 | 25,957,247                  | 55,129,459            |
| Improvements other than buildings                 | 3,618,803                  | 65,607,650                  | 69,226,453            |
| Equipment   | 7,692,111                  | 2,553,515                   | 10,245,626            |
| Infrastructure                                    | 94,763,894                 | -                           | 94,763,894            |
| Purchase capacity                                 | -                          | 12,612,390                  | 12,612,390            |
| <b>Total Assets</b>                               | <b>\$ 277,309,169</b>      | <b>\$ 141,392,496</b>       | <b>\$ 418,701,665</b> |
| <b>Liabilities</b>                                |                            |                             |                       |
| Current Liabilities:                              |                            |                             |                       |
| Accounts payable                                  | \$ 2,436,786               | \$ 1,507,121                | \$ 3,943,907          |
| Internal balances                                 | (8,471,341)                | 8,471,341                   | -                     |
| Accrued liabilities                               | 1,404,702                  | 870,302                     | 2,275,004             |
| Unearned revenue                                  | 1,022,051                  | 1,005,337                   | 2,027,388             |
| Retainages payable                                | 261,861                    | 236,509                     | 498,370               |
| Deposits and other liabilities                    | 1,188,322                  | 22,960                      | 1,211,282             |
| Noncurrent Liabilities:                           |                            |                             |                       |
| Due within one year:                              |                            |                             |                       |
| Compensated absences                              | 3,120,288                  | 637,197                     | 3,757,485             |
| Bonds payable and loan payable                    | 3,124,797                  | 4,062,897                   | 7,187,694             |
| Due in more than one year:                        |                            |                             |                       |
| Compensated absences                              | 1,154,078                  | 235,676                     | 1,389,754             |
| Bonds payable and loan payable                    | 33,605,974                 | 69,291,654                  | 102,897,628           |
| <b>Total Liabilities</b>                          | <b>\$ 38,847,518</b>       | <b>\$ 86,340,994</b>        | <b>\$ 125,188,512</b> |
| <b>Net Assets</b>                                 |                            |                             |                       |
| Invested in capital assets, net of related debt   | \$ 201,226,769             | \$ 52,250,740               | \$ 253,477,509        |
| Unrestricted                                      | 37,234,882                 | 2,800,762                   | 40,035,644            |
| <b>Total Net Assets</b>                           | <b>\$ 238,461,651</b>      | <b>\$ 55,051,502</b>        | <b>\$ 293,513,153</b> |

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Activities For The Fiscal Year Ended June 30, 2010

| Functions / Programs                           | Program Revenues |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Assets<br>Primary Government |                             | Total           |
|--|------------------|-------------------------|--|--|--|-----------------------------|-----------------|
|  | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities   | Business-type<br>Activities |                 |
| Primary Government:                            |                  |                         |  |  |  |                             |                 |
| Governmental activities:                       |                  |                         |  |  |  |                             |                 |
| General government                             | \$ 14,479,318    | \$ 726,112              | \$ -                                     | \$ -                                   | \$ (13,753,206)  | \$ -                        | \$ (13,753,206) |
| Community development<br>block grant (CDBG)    | 336,574          | -                       | 336,574                                  | 6,301                                  | 6,301  | -                           | 6,301           |
| Community development                          | 3,817,837        | 1,015,376               | -  | 1,455,482                              | (1,346,979)  | -                           | (1,346,979)     |
| Public safety                                  | 10,718,613       | 3,569,717               | 597,439                                  | 185,290                                | (6,366,167)  | -                           | (6,366,167)     |
| Public works                                   | 8,249,148        | 492,619                 | 476,522                                  | 452,067                                | (6,827,940)  | -                           | (6,827,940)     |
| Recreation and parks                           | 21,100,499       | 5,469,890               | 540,642                                  | 3,100,971                              | (11,988,996)   | -                           | (11,988,996)    |
| Interest long-term debt                        | 1,568,037        | -                       | -  | -                                      | (1,568,037)  | -                           | (1,568,037)     |
| Total governmental<br>activities               | \$ 60,270,026    | \$ 11,273,714           | \$ 1,951,177                             | \$ 5,200,111                           | \$ (41,845,024)  | \$ -                        | \$ (41,845,024) |
| Business-type activities:                      |                  |                         |  |  |  |                             |                 |
| Water  | 7,033,399        | 7,080,662               | -  | -                                      | -  | 47,263                      | 47,263          |
| Sewer  | 5,938,443        | 6,398,050               | -  | -                                      | -  | 459,607                     | 459,607         |
| Refuse   | 5,389,135        | 5,560,345               | -  | -                                      | -  | 171,210                     | 171,210         |
| Parking  | 2,068,626        | 3,073,307               | -  | -                                      | -  | 1,004,681                   | 1,004,681       |
| Stormwater management                          | 2,625,807        | 1,927,928               | -  | -                                      | -  | (697,879)                   | (697,879)       |
| Golf course                                    | 1,594,306        | 961,412                 | -  | -                                      | -  | (632,894)                   | (632,894)       |
| Total business-type activities                 | \$ 24,649,716    | \$ 25,001,704           | \$ -                                     | \$ -                                   | \$ -   | \$ 351,988                  | \$ 351,988      |
| Total primary government                       | \$ 84,919,742    | \$ 36,275,418           | \$ 1,951,177                             | \$ 5,200,111                           | \$ (41,845,024)  | \$ 351,988                  | \$ (41,493,036) |
| General revenues:                              |                  |                         |  |  |  |                             |                 |
| Property taxes                                 |                  |                         |  |  | \$ 35,958,915  | \$ -                        | \$ 35,958,915   |
| Income taxes                                   |                  |                         |  |  | 10,306,947   | -                           | 10,306,947      |
| Gas and motor vehicle taxes                    |                  |                         |  |  | 325,985  | -                           | 325,985         |
| County tax duplication payment                 |                  |                         |  |  | 2,228,449  | -                           | 2,228,449       |
| Admissions and amusement taxes                 |                  |                         |  |  | 1,006,370  | -                           | 1,006,370       |
| Use of money and property                      |                  |                         |  |  | 33,038   | 14,411                      | 47,449          |
| Other revenue                                  |                  |                         |  |  | 1,320,044  | -                           | 1,320,044       |
| Transfers                                      |                  |                         |  |  | 1,506,000  | (1,506,000)                 | -               |
| Total general revenues and transfers           |                  |                         |  |  | \$ 52,685,748  | \$ (1,491,589)              | \$ 51,194,159   |
| Change in net assets                           |                  |                         |  |  | 10,840,724   | (1,139,601)                 | 9,701,123       |
| Adjustments to restate net assets              |                  |                         |  |  | 15,183   | -                           | 15,183          |
| Net assets - beginning, as previously reported |                  |                         |  |  | 227,605,744  | 56,191,103                  | 283,796,847     |
| Net assets - ending                            |                  |                         |  |  | \$ 238,461,651   | \$ 55,051,502               | \$ 293,513,153  |

See accompanying notes to the basic financial statements.



## City of Rockville, Maryland

Balance Sheet  
Governmental Funds  
June 30, 2010

|  | General              | Debt<br>Service     | Capital<br>Projects  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|----------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                      |                     |                      |                                |                                |
| Equity in pooled cash and cash equivalents | \$ 8,992,589         | \$ 2,456,404        | \$ 15,593,876        | \$ 7,114,754                   | \$ 34,157,623                  |
| Property taxes receivable, net             | 201,411              | -                   | -                    | -                              | 201,411                        |
| Accounts receivable, net                   | 249,337              | -                   | -                    | 884,380                        | 1,133,717                      |
| Interfund receivable                       | 8,686,992            | -                   | -                    | -                              | 8,686,992                      |
| Due from other governments                 | 1,670,326            | -                   | 276,625              | 247,630                        | 2,194,581                      |
| Other assets                               | 758,215              | 20,427              | 652                  | 393                            | 779,687                        |
| Unbilled assessments receivable            | -                    | 884,610             | -                    | -                              | 884,610                        |
| Total assets                               | <u>\$ 20,558,870</u> | <u>\$ 3,361,441</u> | <u>\$ 15,871,153</u> | <u>\$ 8,247,157</u>            | <u>\$ 48,038,621</u>           |
| <b>Liabilities and Fund Balances</b>       |                      |                     |                      |                                |                                |
| <b>Liabilities</b>                         |                      |                     |                      |                                |                                |
| Accounts payable                           | \$ 1,701,530         | \$ -                | \$ 407,778           | \$ 327,478                     | \$ 2,436,786                   |
| Interfund payable                          | -                    | -                   | -                    | 215,651                        | 215,651                        |
| Accrued liabilities                        | 1,156,707            | -                   | -                    | 9,392                          | 1,166,099                      |
| Deferred revenue                           | 201,411              | 884,610             | 202,067              | -                              | 1,288,088                      |
| Unearned revenue                           | 1,022,051            | -                   | -                    | -                              | 1,022,051                      |
| Retainages payable                         | -                    | -                   | 244,685              | 17,176                         | 261,861                        |
| Deposits and other liabilities             | 1,188,322            | -                   | -                    | -                              | 1,188,322                      |
| Total liabilities                          | <u>\$ 5,270,021</u>  | <u>\$ 884,610</u>   | <u>\$ 854,530</u>    | <u>\$ 569,697</u>              | <u>\$ 7,578,858</u>            |
| <b>Fund balances</b>                       |                      |                     |                      |                                |                                |
| Reserved for encumbrances                  | \$ 450,389           | \$ -                | \$ 573,895           | \$ -                           | \$ 1,024,284                   |
| Reserved for self insurance deposit        | 261,394              | -                   | -                    | -                              | 261,394                        |
| Reserved for inventory                     | 295,599              | -                   | -                    | -                              | 295,599                        |
| Reserved for advance                       | 250,000              | -                   | -                    | -                              | 250,000                        |
| Reserved for debt service                  | -                    | 2,476,831           | -                    | -                              | 2,476,831                      |
| Unreserved, designated for, reported in:   |                      |                     |                      |                                |                                |
| Special Revenue Funds                      | -                    | -                   | -                    | 3,536,455                      | 3,536,455                      |
| Unreserved, undesignated reported in:      |                      |                     |                      |                                |                                |
| General Fund                               | 14,031,467           | -                   | -                    | -                              | 14,031,467                     |
| Capital Projects Fund                      | -                    | -                   | 14,442,728           | -                              | 14,442,728                     |
| Special Revenue Funds                      | -                    | -                   | -                    | 4,141,005                      | 4,141,005                      |
| Total fund balance                         | <u>\$ 15,288,849</u> | <u>\$ 2,476,831</u> | <u>\$ 15,016,623</u> | <u>\$ 7,677,460</u>            | <u>\$ 40,459,763</u>           |
| Total liabilities and fund balance         | <u>\$ 20,558,870</u> | <u>\$ 3,361,441</u> | <u>\$ 15,871,153</u> | <u>\$ 8,247,157</u>            | <u>\$ 48,038,621</u>           |

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities June 30, 2010

Amounts reported for governmental activities in the Statement of Net Assets are different because:

|  |  |    |            |
|--|--|----|------------|
| Total fund balances - governmental funds |  | \$ | 40,459,763 |
|--|--|----|------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

|                          |                     |  |             |
|--------------------------|---------------------|--|-------------|
| Cost of capital assets   | 292,315,598         |  |             |
| Accumulated depreciation | <u>(54,358,058)</u> |  | 237,957,540 |

|   |  |  |           |
|---|--|--|-----------|
| Deferred revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net assets are increased |  |  | 1,288,088 |
|---|--|--|-----------|

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities as of year-end consist of:

|   |                |  |                     |
|---|----------------|--|---------------------|
| Compensated absences                                | 4,274,366      |  |                     |
| General obligation bonds payable and issuance costs | 36,730,771     |  |                     |
| Accrued interest on the general obligation bonds    | <u>238,603</u> |  | <u>(41,243,740)</u> |

|  |  |    |                           |
|--|--|----|---------------------------|
| Total net assets - governmental activities |  | \$ | <u><u>238,461,651</u></u> |
|--|--|----|---------------------------|

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds

For the Fiscal Year Ended June 30, 2010

|  | General               | Debt<br>Service       | Capital<br>Projects   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------|-----------------------|-----------------------|--------------------------------|--------------------------------|
| <b>Revenue</b>   |                       |                       |                       |                                |                                |
| Property Taxes   | \$ 35,454,838         | \$ -                  | \$ -                  | \$ -                           | 35,454,838                     |
| Assessments  | -                     | 358,924               | -                     | -                              | 358,924                        |
| Revenue from other governments:                            |                       |                       |                       |                                |                                |
| Community development block grant                          | -                     | -                     | -                     | 336,574                        | 336,574                        |
| Income taxes   | 10,306,947            | -                     | -                     | -                              | 10,306,947                     |
| Gas and motor vehicles taxes                               | 325,985               | -                     | -                     | -                              | 325,985                        |
| County tax duplication payment                             | 2,228,449             | -                     | -                     | -                              | 2,228,449                      |
| Admission and amusement taxes                              | 1,006,370             | -                     | -                     | -                              | 1,006,370                      |
| Grants and other governmental revenue                      | 1,531,670             | -                     | 3,539,487             | -                              | 5,071,157                      |
| Licenses and permits                                       | 1,737,186             | -                     | -                     | -                              | 1,737,186                      |
| Charges for services                                       | 5,766,551             | -                     | -                     | -                              | 5,766,551                      |
| Use of money and property                                  | 186,255               | 2,231                 | 11,530                | 4,355                          | 204,371                        |
| Fines and forfeitures                                      | 687,733               | -                     | -                     | -                              | 687,733                        |
| Other revenue  | 2,735,757             | -                     | 1,683,691             | 3,521,562                      | 7,941,010                      |
| Total revenue  | <u>\$ 61,967,741</u>  | <u>\$ 361,155</u>     | <u>\$ 5,234,708</u>   | <u>\$ 3,862,491</u>            | <u>\$ 71,426,095</u>           |
| <b>Expenditures</b>  |                       |                       |                       |                                |                                |
| Current operations:  |                       |                       |                       |                                |                                |
| General government   | \$ 14,175,052         | -                     | -                     | \$ -                           | \$ 14,175,052                  |
| Community development block grant                          | -                     | -                     | -                     | 336,574                        | 336,574                        |
| Community development                                      | 3,866,116             | -                     | -                     | -                              | 3,866,116                      |
| Public safety  | 8,540,236             | -                     | -                     | 2,458,677                      | 10,998,913                     |
| Public works   | 7,107,065             | -                     | -                     | -                              | 7,107,065                      |
| Recreation and parks                                       | 19,245,099            | -                     | -                     | 1,068,957                      | 20,314,056                     |
| Capital outlay   | -                     | -                     | 8,071,573             | -                              | 8,071,573                      |
| Debt service   | -                     | 5,036,108             | -                     | -                              | 5,036,108                      |
| Total expenditures   | <u>\$ 52,933,568</u>  | <u>\$ 5,036,108</u>   | <u>\$ 8,071,573</u>   | <u>\$ 3,864,208</u>            | <u>\$ 69,905,457</u>           |
| Excess (deficiency) of revenue over expenditures           | <u>\$ 9,034,173</u>   | <u>\$ (4,674,953)</u> | <u>\$ (2,836,865)</u> | <u>\$ (1,717)</u>              | <u>\$ 1,520,638</u>            |
| <b>Other Financing Sources (Uses)</b>                      |                       |                       |                       |                                |                                |
| Transfers in   | -                     | 4,000,000             | 2,378,000             | 144,266                        | 6,522,266                      |
| Transfers out  | (7,402,266)           | -                     | -                     | -                              | (7,402,266)                    |
| Total other financing sources (uses)                       | <u>\$ (7,402,266)</u> | <u>\$ 4,000,000</u>   | <u>\$ 2,378,000</u>   | <u>\$ 144,266</u>              | <u>\$ (880,000)</u>            |
| Net change in fund balances                                | \$ 1,631,907          | \$ (674,953)          | \$ (458,865)          | \$ 142,549                     | \$ 640,638                     |
| Adjustments to beginning balance                           | 51,566                | -                     | 1,358,089             | (1,394,472)                    | 15,183                         |
| Fund balances at beginning of year, as previously reported | 13,605,376            | 3,151,784             | 14,117,399            | 8,929,383                      | 39,803,942                     |
| Fund balances at end of year                               | <u>\$ 15,288,849</u>  | <u>\$ 2,476,831</u>   | <u>\$ 15,016,623</u>  | <u>\$ 7,677,460</u>            | <u>\$ 40,459,763</u>           |

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2010

Amounts reported for governmental activities in the Statement of Activities are different because:

|  |            |
|--|------------|
| Total net change in fund balances-total governmental funds | \$ 640,638 |
|--|------------|

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|  |           |
|--|-----------|
| This is the amount by which capital outlays of \$9,299,116 exceeded depreciation of (\$2,207,586). | 7,091,530 |
|--|-----------|

Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

|  |           |
|--|-----------|
|  | 3,464,030 |
|--|-----------|

Because the deferred revenue will not be collected for several months after the City's fiscal year ends, it is not considered "available" revenue in the governmental funds. Deferred revenue decreased in the current year.

|  |          |
|--|----------|
|  | (57,954) |
|--|----------|

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

|  |           |
|--|-----------|
|  | (257,392) |
|--|-----------|

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave earned of \$607,830 exceeded amounts used of \$545,894.

|  |          |
|--|----------|
|  | (61,936) |
|--|----------|

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as interest accrues, regardless of when it is due. The decrease interest reported in the Statement of Activities is the result of accrued interest on the financing agreements.

|  |        |
|--|--------|
|  | 21,808 |
|--|--------|

|   |  |
|---|--|
| Change in net assets of governmental activities |  |
|---|--|

|  |               |
|--|---------------|
|  | \$ 10,840,724 |
|--|---------------|

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

Statement of Net Assets  
Proprietary Funds  
June 30, 2010

|   | Business-Type Activities - Enterprise Funds |                      |                     |                       |                       |                          | Total                    |
|---|---|----------------------|---------------------|-----------------------|-----------------------|--------------------------|--------------------------|
|   | Water Facility Fund                         | Sanitary Sewer Fund  | Refuse Fund         | Parking Fund          | Stormwater Mgmt. Fund | RedGate Golf Course Fund | Business-type Activities |
| <b>Assets</b>                                   |   |                      |                     |                       |                       |                          |                          |
| Current Assets                                  |   |                      |                     |                       |                       |                          |                          |
| Equity in pooled cash and cash equivalents      | \$ -  | \$ -                 | \$ 2,041,452        | \$ 2,978,349          | \$ 3,278,264          | -                        | \$ 8,298,065             |
| Accounts receivable, net                        | 2,286,722                                   | 1,297,973            | 1,298,633           | 1,594,717             | 431,667               | 4,579                    | 6,914,291                |
| Assessments receivable                          | 759   | -                    | -                   | -                     | -                     | -                        | 759                      |
| Other receivables                               | -   | -                    | 126                 | 205                   | 248                   | -                        | 579                      |
| Total current assets                            | <u>\$ 2,287,481</u>                         | <u>\$ 1,297,973</u>  | <u>\$ 3,340,211</u> | <u>\$ 4,573,271</u>   | <u>\$ 3,710,179</u>   | <u>\$ 4,579</u>          | <u>\$ 15,213,694</u>     |
| Noncurrent Assets                               |   |                      |                     |                       |                       |                          |                          |
| Unbilled assessments receivable                 | 14,417                                      | 15,929               | -                   | -                     | -                     | -                        | 30,346                   |
| Capital Assets:                                 |   |                      |                     |                       |                       |                          |                          |
| Land  | 123,202                                     | -                    | -                   | -                     | 842,697               | 1,093,041                | 2,058,940                |
| Utility plant and equip                         | 45,180,176                                  | 56,349,350           | 4,969,827           | 27,211,391            | 5,860,581             | 3,091,531                | 142,662,856              |
| Construction in progress                        | 10,860,752                                  | 2,658,379            | 1,231,263           | 38,731                | 2,562,015             | 7,574                    | 17,358,714               |
| Less-accumulated depreciation                   | (21,781,361)                                | (20,121,251)         | (3,393,041)         | (2,020,658)           | (2,260,468)           | (1,634,728)              | (51,211,507)             |
| Purchased capacity, long-term                   | -   | 15,279,453           | -                   | -                     | -                     | -                        | 15,279,453               |
| Total capital assets                            | <u>34,382,769</u>                           | <u>54,165,931</u>    | <u>2,808,049</u>    | <u>25,229,464</u>     | <u>7,004,825</u>      | <u>2,557,418</u>         | <u>126,148,456</u>       |
| Total assets                                    | <u>\$ 36,684,667</u>                        | <u>\$ 55,479,833</u> | <u>\$ 6,148,260</u> | <u>\$ 29,802,735</u>  | <u>\$ 10,715,004</u>  | <u>\$ 2,561,997</u>      | <u>\$ 141,392,496</u>    |
| <b>Liabilities</b>                              |   |                      |                     |                       |                       |                          |                          |
| Current Liabilities                             |   |                      |                     |                       |                       |                          |                          |
| Bonds payable within 1yr                        | \$ 1,671,866                                | \$ 1,183,565         | \$ 375,000          | \$ 735,000            | \$ 72,663             | \$ 24,803                | \$ 4,062,897             |
| Accounts payable                                | 975,373                                     | 81,985               | 104,697             | 167,230               | 146,783               | 31,053                   | 1,507,121                |
| Interfund payable                               | 3,432,866                                   | 3,628,966            | -                   | -                     | -                     | 1,409,509                | 8,471,341                |
| Accrued liabilities                             | 350,106                                     | 180,396              | 78,790              | 220,265               | 21,150                | 19,595                   | 870,302                  |
| Compensated absences                            | 232,368                                     | 72,649               | 178,932             | 5,354                 | 33,655                | 114,239                  | 637,197                  |
| Unearned revenue                                | 970,910                                     | -                    | -                   | -                     | -                     | 34,427                   | 1,005,337                |
| Retainages payable                              | 139,175                                     | 25,172               | -                   | (1,853)               | 69,715                | 4,300                    | 236,509                  |
| Deposits / other liabilities                    | 22,351                                      | 909                  | -                   | (300)                 | -                     | -                        | 22,960                   |
| Total current liabilities                       | <u>\$ 7,795,015</u>                         | <u>\$ 5,173,642</u>  | <u>\$ 737,419</u>   | <u>\$ 1,125,696</u>   | <u>\$ 343,966</u>     | <u>\$ 1,637,926</u>      | <u>\$ 16,813,664</u>     |
| Noncurrent Liabilities                          |   |                      |                     |                       |                       |                          |                          |
| Compensated absences                            | 85,944                                      | 26,870               | 66,181              | 1,980                 | 12,448                | 42,253                   | 235,676                  |
| Bonds payable                                   | 18,858,275                                  | 14,959,167           | 2,165,704           | 31,994,758            | 1,017,284             | 296,466                  | 69,291,654               |
| Total noncurrent liabilities                    | <u>\$ 18,944,219</u>                        | <u>\$ 14,986,037</u> | <u>\$ 2,231,885</u> | <u>\$ 31,996,738</u>  | <u>\$ 1,029,732</u>   | <u>\$ 338,719</u>        | <u>\$ 69,527,330</u>     |
| Total Liabilities                               | <u>\$ 26,739,234</u>                        | <u>\$ 20,159,679</u> | <u>\$ 2,969,304</u> | <u>\$ 33,122,434</u>  | <u>\$ 1,373,698</u>   | <u>\$ 1,976,645</u>      | <u>\$ 86,340,994</u>     |
| <b>Net Assets</b>                               |   |                      |                     |                       |                       |                          |                          |
| Invested in capital assets, net of related debt | \$ 13,309,463                               | \$ 38,023,199        | \$ 267,345          | \$ (7,500,294)        | \$ 5,914,878          | \$ 2,236,149             | \$ 52,250,740            |
| Unrestricted                                    | (3,364,030)                                 | (2,703,045)          | 2,911,611           | 4,180,595             | 3,426,428             | (1,650,797)              | 2,800,762                |
| Total net assets                                | <u>\$ 9,945,433</u>                         | <u>\$ 35,320,154</u> | <u>\$ 3,178,956</u> | <u>\$ (3,319,699)</u> | <u>\$ 9,341,306</u>   | <u>\$ 585,352</u>        | <u>\$ 55,051,502</u>     |

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2010

|   | Business-Type Activities - Enterprise Funds |                             |                            |                              |                            |                             | Total<br>Business-type<br>Activities |
|---|---|-----------------------------|----------------------------|------------------------------|----------------------------|-----------------------------|--------------------------------------|
|   | Water Facility<br>Fund                      | Sanitary<br>Sewer Fund      | Refuse<br>Fund             | Parking<br>Fund              | Stormwater<br>Mgmt. Fund   | RedGate Golf<br>Course Fund |                                      |
| <b>Operating Revenue</b>  |   |                             |                            |                              |                            |                             |                                      |
| Charges for Services  | \$ 6,195,789                                | \$ 6,263,542                | \$ 5,505,349               | \$ 1,929,003                 | \$ 1,701,478               | \$ 961,412                  | \$ 22,556,573                        |
| Other Revenue   | 884,873                                     | 134,508                     | 24,996                     | 294,304                      | 226,450                    | -                           | 1,565,131                            |
| Total operating revenue   | <u>\$ 7,080,662</u>                         | <u>\$ 6,398,050</u>         | <u>\$ 5,530,345</u>        | <u>\$ 2,223,307</u>          | <u>\$ 1,927,928</u>        | <u>\$ 961,412</u>           | <u>\$ 24,121,704</u>                 |
| <b>Operating Expenses</b>   |   |                             |                            |                              |                            |                             |                                      |
| Treatment and purification  | 2,365,711                                   | -                           | -                          | -                            | -                          | -                           | 2,365,711                            |
| Distribution  | 1,125,123                                   | -                           | -                          | -                            | -                          | -                           | 1,125,123                            |
| Collection and disposal   | -   | 2,570,802                   | 3,427,015                  | -                            | -                          | -                           | 5,997,817                            |
| Customer billing, collection,<br>operating expenses                   | 1,909,686                                   | 2,127,105                   | 686,064                    | 1,288,473                    | 2,264,856                  | 1,359,230                   | 9,635,414                            |
| Repairs and maintenance   | 113,930                                     | 93,673                      | 504,078                    | 5,540                        | 14,789                     | 17,999                      | 750,009                              |
| Total operating expenses  | <u>\$ 5,514,450</u>                         | <u>\$ 4,791,580</u>         | <u>\$ 4,617,157</u>        | <u>\$ 1,294,013</u>          | <u>\$ 2,279,645</u>        | <u>\$ 1,377,229</u>         | <u>\$ 19,874,074</u>                 |
| Operating income (loss) before<br>depreciation / amortization         | 1,566,212                                   | 1,606,470                   | 913,188                    | 929,294                      | (351,717)                  | (415,817)                   | 4,247,630                            |
| Less - depreciation<br>and amortization of bond<br>(discount)/premium | (1,063,421)                                 | (898,663)                   | (302,278)                  | (687,013)                    | (187,562)                  | (119,177)                   | (3,258,114)                          |
| Operating income (loss)   | <u>\$ 502,791</u>                           | <u>\$ 707,807</u>           | <u>\$ 610,910</u>          | <u>\$ 242,281</u>            | <u>\$ (539,279)</u>        | <u>\$ (534,994)</u>         | <u>\$ 989,516</u>                    |
| <b>Nonoperating Income (Expenses)</b>                                 |   |                             |                            |                              |                            |                             |                                      |
| Interest income   | 4,048                                       | 2,002                       | 1,823                      | 2,752                        | 3,786                      | -                           | 14,411                               |
| Interest expense  | (800,750)                                   | (686,137)                   | (115,315)                  | (1,409,821)                  | (170)                      | (11,335)                    | (3,023,528)                          |
| Total nonoperating income   | <u>\$ (796,702)</u>                         | <u>\$ (684,135)</u>         | <u>\$ (113,492)</u>        | <u>\$ (1,407,069)</u>        | <u>\$ 3,616</u>            | <u>\$ (11,335)</u>          | <u>\$ (3,009,117)</u>                |
| Income (loss) before transfers  | <u>(293,911)</u>                            | <u>23,672</u>               | <u>497,418</u>             | <u>(1,164,788)</u>           | <u>(535,663)</u>           | <u>(546,329)</u>            | <u>(2,019,601)</u>                   |
| <b>Transfers</b>  |   |                             |                            |                              |                            |                             |                                      |
| Transfer in from General Fund   | <u>-</u>                                    | <u>-</u>                    | <u>30,000</u>              | <u>850,000</u>               | <u>-</u>                   | <u>-</u>                    | <u>880,000</u>                       |
| Increase (decrease) net assets  | (293,911)                                   | 23,672                      | 527,418                    | (314,788)                    | (535,663)                  | (546,329)                   | (1,139,601)                          |
| Net assets - beginning of year  | <u>\$ 10,239,344</u>                        | <u>\$ 35,296,482</u>        | <u>\$ 2,651,538</u>        | <u>\$ (3,004,911)</u>        | <u>\$ 9,876,969</u>        | <u>\$ 1,131,681</u>         | <u>\$ 56,191,103</u>                 |
| Net assets - end of year  | <u><u>\$ 9,945,433</u></u>                  | <u><u>\$ 35,320,154</u></u> | <u><u>\$ 3,178,956</u></u> | <u><u>\$ (3,319,699)</u></u> | <u><u>\$ 9,341,306</u></u> | <u><u>\$ 585,352</u></u>    | <u><u>\$ 55,051,502</u></u>          |

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2010

|   | Business-Type Activities - Enterprise Funds |                        |                            |                            |                            |                             | Total<br>Business-type<br>Activities |
|---|---|------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|--------------------------------------|
|   | Water Facility<br>Fund                      | Sanitary<br>Sewer Fund | Refuse<br>Fund             | Parking<br>Fund            | Stormwater<br>Mgmt. Fund   | RedGate Golf<br>Course Fund |                                      |
| <b>Cash Flows from operating activities:</b>                                  |   |                        |                            |                            |                            |                             |                                      |
| Cash received from customers  | \$ 6,635,921                                | \$ 6,275,654           | \$ 5,464,604               | \$ 2,018,404               | \$ 2,076,543               | \$ 946,341                  | \$ 23,417,467                        |
| Cash payments to suppliers<br>for goods and services                          | (4,278,536)                                 | (3,619,197)            | (2,477,893)                | (929,852)                  | (589,936)                  | (520,178)                   | (12,415,592)                         |
| Cash payments to employees<br>for services                                    | (3,141,196)                                 | (1,336,981)            | (2,378,944)                | (326,329)                  | (1,641,173)                | (837,090)                   | (9,661,713)                          |
| Net cash provided by (used in)<br>operating activities                        | <u>\$ (783,811)</u>                         | <u>\$ 1,319,476</u>    | <u>\$ 607,767</u>          | <u>\$ 762,223</u>          | <u>\$ (154,566)</u>        | <u>\$ (410,927)</u>         | <u>\$ 1,340,162</u>                  |
| <b>Cash Flows from noncapital financing activities:</b>                       |   |                        |                            |                            |                            |                             |                                      |
| Transfer in from the<br>General Fund  | \$ -  | \$ -                   | \$ 30,000                  | \$ 850,000                 | \$ -                       | \$ -                        | \$ 880,000                           |
| Interfund payable   | <u>3,432,866</u>                            | <u>3,628,966</u>       | <u>-</u>                   | <u>-</u>                   | <u>-</u>                   | <u>519,218</u>              | <u>7,581,050</u>                     |
| Net cash provided by<br>noncapital financing<br>activities                    | <u>\$ 3,432,866</u>                         | <u>\$ 3,628,966</u>    | <u>\$ 30,000</u>           | <u>\$ 850,000</u>          | <u>\$ -</u>                | <u>\$ 519,218</u>           | <u>\$ 8,461,050</u>                  |
| <b>Cash Flows from capital and related financing activities:</b>              |   |                        |                            |                            |                            |                             |                                      |
| Acquisition and construction<br>of capital assets                             | \$ (6,039,105)                              | \$ (3,455,315)         | \$ (646,658)               | \$ (18,145)                | \$ (1,969,969)             | \$ (72,154)                 | \$ (12,201,346)                      |
| Principal paid on general<br>obligation bond maturities                       | (1,754,339)                                 | (1,236,555)            | (375,000)                  | (710,000)                  | (72,663)                   | (24,802)                    | (4,173,359)                          |
| Interest paid on general<br>obligation bonds                                  | (809,619)                                   | (693,761)              | (116,500)                  | (1,413,061)                | -                          | (11,335)                    | (3,044,276)                          |
| Proceeds (including interest)<br>from special assessments                     | <u>5,448</u>                                | <u>5,716</u>           | <u>-</u>                   | <u>-</u>                   | <u>-</u>                   | <u>-</u>                    | <u>11,164</u>                        |
| Net cash (used in) provided by<br>capital and related financing<br>activities | <u>\$ (8,597,615)</u>                       | <u>\$ (5,379,915)</u>  | <u>\$ (1,138,158)</u>      | <u>\$ (2,141,206)</u>      | <u>\$ (2,042,632)</u>      | <u>\$ (108,291)</u>         | <u>\$ (19,407,817)</u>               |
| <b>Cash Flows from investing activities:</b>                                  |   |                        |                            |                            |                            |                             |                                      |
| Interest on investments   | <u>\$ 5,284</u>                             | <u>\$ 2,330</u>        | <u>\$ 2,084</u>            | <u>\$ 3,097</u>            | <u>\$ 4,344</u>            | <u>\$ -</u>                 | <u>\$ 17,139</u>                     |
| Net increase (decrease) in<br>cash and cash equivalents                       | <u>\$ (5,943,276)</u>                       | <u>\$ (429,143)</u>    | <u>\$ (498,307)</u>        | <u>\$ (525,886)</u>        | <u>\$ (2,192,854)</u>      | <u>\$ -</u>                 | <u>\$ (9,589,466)</u>                |
| Cash and cash equivalents at<br>the beginning of year                         | <u>\$ 5,943,276</u>                         | <u>\$ 429,143</u>      | <u>\$ 2,539,759</u>        | <u>\$ 3,504,235</u>        | <u>\$ 5,471,118</u>        | <u>\$ -</u>                 | <u>\$ 17,887,531</u>                 |
| Cash and cash equivalents at<br>the end of year                               | <u><u>\$ -</u></u>                          | <u><u>\$ -</u></u>     | <u><u>\$ 2,041,452</u></u> | <u><u>\$ 2,978,349</u></u> | <u><u>\$ 3,278,264</u></u> | <u><u>\$ -</u></u>          | <u><u>\$ 8,298,065</u></u>           |

(Continued)

# City of Rockville, Maryland

## Statement of Cash Flows (continued) Proprietary Funds For the Year Ended June 30, 2010

### Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

|  | Business-Type Activities - Enterprise Funds |                        |                   |                   |                          |                             | Total<br>Business-type<br>Activities |
|--|---|------------------------|-------------------|-------------------|--------------------------|-----------------------------|--------------------------------------|
|  | Water Facility<br>Fund                      | Sanitary<br>Sewer Fund | Refuse<br>Fund    | Parking<br>Fund   | Stormwater<br>Mgmt. Fund | RedGate Golf<br>Course Fund |                                      |
| <b>Operating (loss) income</b>   | <u>\$ 502,791</u>                           | <u>\$ 707,807</u>      | <u>\$ 610,910</u> | <u>\$ 242,281</u> | <u>\$ (539,279)</u>      | <u>\$ (534,994)</u>         | <u>\$ 989,516</u>                    |
| <b>Adjustments to reconcile<br/>operating income (loss) to net<br/>cash provided (used) by<br/>operating activities:</b> |   |                        |                   |                   |                          |                             |                                      |
| Depreciation and amortization  | \$ 1,063,421                                | \$ 898,663             | \$ 302,278        | \$ 687,013        | \$ 187,562               | \$ 119,177                  | \$ 3,258,114                         |
| Changes in assets and liabilities:   |   |                        |                   |                   |                          |                             |                                      |
| (Increase) decrease in<br>accounts receivable  | (1,365,342)                                 | (122,396)              | (65,741)          | (204,903)         | 148,615                  | (2,167)                     | (1,611,934)                          |
| Increase (decrease) in<br>accounts payable   | (1,235,737)                                 | (109,243)              | (213,536)         | 56,106            | 73,717                   | 16,553                      | (1,412,140)                          |
| (Increase) in amounts payable<br>related to equipment<br>purchases   | (696,712)                                   | (63,316)               | (16,471)          | (20,586)          | (76,716)                 | -                           | (873,801)                            |
| Increase (decrease) in<br>accrued liabilities  | 12,540                                      | 5,819                  | (2,414)           | 1,733             | 7,473                    | 4,936                       | 30,087                               |
| Increase (decrease) in<br>compensated absences   | 47,637                                      | 7,917                  | (7,259)           | 579               | 10,055                   | (1,528)                     | 57,401                               |
| Increase (decrease) in<br>deferred revenue   | 970,910                                     | -                      | -                 | -                 | -                        | (12,904)                    | 958,006                              |
| Increase (decrease) in<br>retainages payable   | (88,956)                                    | (5,775)                | -                 | -                 | 34,007                   | -                           | (60,724)                             |
| Increase (decrease) in<br>deposits and other liabilities   | 5,637                                       | -                      | -                 | -                 | -                        | -                           | 5,637                                |
| Total adjustments  | <u>\$ (1,286,602)</u>                       | <u>\$ 611,669</u>      | <u>\$ (3,143)</u> | <u>\$ 519,942</u> | <u>\$ 384,713</u>        | <u>\$ 124,067</u>           | <u>\$ 350,646</u>                    |
| Net cash provided by (used in)<br>operating activities   | <u>\$ (783,811)</u>                         | <u>\$ 1,319,476</u>    | <u>\$ 607,767</u> | <u>\$ 762,223</u> | <u>\$ (154,566)</u>      | <u>\$ (410,927)</u>         | <u>\$ 1,340,162</u>                  |
| Noncash capital and related financing activities:  |   |                        |                   |                   |                          |                             |                                      |
| Purchase of equipment<br>on account  | <u>\$ 696,712</u>                           | <u>\$ 63,316</u>       | <u>\$ 16,471</u>  | <u>\$ 20,586</u>  | <u>\$ 76,716</u>         | <u>\$ -</u>                 | <u>\$ 873,801</u>                    |

See accompanying notes to the basic financial statements.



**City of Rockville, Maryland**Statement of Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2010

|                            | Pension<br>Trust Funds | OPEB<br>Trust Fund  | Total<br>Trust Funds |
|----------------------------|------------------------|---------------------|----------------------|
| <b>Assets</b>              |                        |                     |                      |
| Open End Mutual Funds:     |                        |                     |                      |
| Bonds                      | \$ 15,336,365          | \$ 379,047          | \$ 15,715,412        |
| Equities                   | 30,094,208             | 849,645             | \$ 30,943,853        |
| Real Estate                | 5,728,533              | -                   | \$ 5,728,533         |
| Fixed Income               | 14,128,351             | 483,676             | \$ 14,612,027        |
| Total                      | <u>\$ 65,287,457</u>   | <u>\$ 1,712,368</u> | <u>\$ 66,999,825</u> |
| <b>Liabilities</b>         |                        |                     |                      |
|                            | <u>\$ -</u>            | <u>\$ -</u>         | <u>\$ -</u>          |
| <b><u>Net Assets</u></b>   |                        |                     |                      |
| Held in trust for benefits | <u>\$ 65,287,457</u>   | <u>\$ 1,712,368</u> | <u>\$ 66,999,825</u> |

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Changes in Fiduciary Net Assets Pension Trust Funds For the Year Ended June 30, 2010

|  | Pension<br>Trust Funds | OPEB<br>Trust Fund  | Total<br>Trust Funds |
|--|------------------------|---------------------|----------------------|
| <b>Additions</b>                                       |                        |                     |                      |
| Contributions  |                        |                     |                      |
| Employer   | \$ 3,150,676           | \$ 237,281          | \$ 3,387,957         |
| Plan Members   | 1,991,429              | -                   | 1,991,429            |
| Total Contributions                                    | <u>\$ 5,142,105</u>    | <u>\$ 237,281</u>   | <u>\$ 5,379,386</u>  |
| Investment Income (loss)                               |                        |                     |                      |
| Net appreciation in the fair value of plan investments | 5,806,289              | 139,686             | 5,945,975            |
| Interest and dividends                                 | 76,397                 | 34,288              | 110,685              |
| Total investment income (loss)                         | <u>5,882,686</u>       | <u>173,974</u>      | <u>6,056,660</u>     |
| Total  | <u>\$ 11,024,791</u>   | <u>\$ 411,255</u>   | <u>\$ 11,436,046</u> |
| <b>Deductions</b>                                      |                        |                     |                      |
| Benefits   | \$ 2,816,612           | \$ -                | \$ 2,816,612         |
| Refunds to terminated employees                        | 635,517                | -                   | 635,517              |
|  | 241,418                | -                   | 241,418              |
|  | 6,215                  | -                   | 6,215                |
| Administrative expense                                 | 111,939                | 1,884               | 113,823              |
| Total Deductions                                       | <u>\$ 3,811,701</u>    | <u>\$ 1,884</u>     | <u>\$ 3,813,585</u>  |
| Net Increase   | \$7,213,090            | \$409,371           | \$7,622,461          |
| Net assets - beginning                                 | 58,074,367             | 1,302,997           | 59,377,364           |
| Net assets - ending                                    | <u>\$ 65,287,457</u>   | <u>\$ 1,712,368</u> | <u>\$ 66,999,825</u> |

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (1) Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

The City of Rockville (the "City"), was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City has an estimated population of 64,860 and a land area of 13.50 square miles. According to the 2000 census, the City is the third largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large council members. Services provided include water, sewer, refuse, parking, streets and drainage, recreation and parks, police, planning and zoning, community development, and community services. Schools, libraries, social services, and fire protection are provided by Montgomery County, Maryland.

For financial reporting purposes, the government-wide financial statements include the various departments governed directly by the Mayor and Council. The City's officials are also responsible for appointing the board of directors of the Rockville Housing Authority, but the City's accountability does not extend beyond making the appointments, therefore the housing authority is not included in the financial statements.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary activities of the primary government. Mostly all the effects of interfund activities have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely significantly on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns on the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are deemed collectible within the current period or soon thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (1) Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The government reports the following major proprietary funds:

The City operates six major types of enterprise funds: The Water Facility Fund, the Sanitary Sewer Fund, the Refuse Fund, the Parking Fund, the Stormwater Management Fund, and the RedGate Golf Course Fund. These funds account for the provision of water and sewer services, parking meter program, operation of the parking garages in the City's Town Center and storm water retention facilities to residents within the City's service area. The Refuse Fund and RedGate Golf Course Fund do not meet the requirements of a major fund, however management has elected to report these funds as major. The Refuse Fund accounts for trash collections and recycling. The RedGate Golf Course fund accounts for the operating and capital costs for the City's golf course facility.

Additionally, the government reports the following fund types:

The City's Pension Trust Funds accounts for the contributions made by the City and its employees to finance future pension payments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, but interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (1) Summary of Significant Accounting Policies (Continued)

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sanitary Sewer, Refuse, and Stormwater Management funds are charges to customers for sales and services. The Water and Sanitary Sewer funds also recognize the portion of tap fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to first use restricted resources, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### ***1. Deposits and Investments***

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled account. The Pension Trust Fund assets are separately managed by the City's retirement board. The Pension Trust Fund investments are stated at fair value. Short-term investments of one year or less which are included in the City's equity in pooled cash and cash equivalents are stated at amortized cost plus accrued interest. These short-term investments include mutual funds and U.S. Treasury securities.

For purposes of the statement of cash flows, the proprietary fund type reflects all monies in the City's cash management pool as cash equivalents.

Interest income earned on City investments is allocated among the funds each month on a pro-rata basis in accordance with average equity in pooled cash balances for the previous six months.

##### ***2. Property Taxes***

Taxes on real property and business personal property are levied on property values as assessed on January 1, billed on July 1, and payable either by September 30 or in two equal installments on September 30 and December 31. Montgomery County bills and collects property taxes for the City and remits the cash collections once a month. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1 and are, thereafter, sold at public auction if deemed delinquent.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rate of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public hearings.

The real property tax rate was \$0.292 per \$100 of assessed value and the personal property tax rate was \$.805 per \$100 of assessed value in fiscal year 2010. The City charges taxpayers interest (at the rate of 2/3 of 1 percent per month) and penalty (1 percent per month) on all overdue taxes.

##### ***3. Inventories and Prepaid Items***

All City inventories (included in other assets in the governmental fund balance sheet) are maintained on a consumption

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (1) Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 3. Inventories and Prepaid Items (Continued)

basis of accounting and are valued at cost on a first-in, first-out basis and consist of either goods held for resale or goods and materials used in providing services. Reservations of fund balance for the amounts of General Fund inventories have been made to reflect the non-availability of those amounts for appropriation in the General Fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### 4. Restricted Net Assets

The Debt Service Fund is used to segregate resources accumulated for debt service payments for future years.

##### 5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Reservation of fund balance in the Capital Projects Fund for construction have been made to reflect the non-availability of those amounts for appropriation in the Capital Projects Fund.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The capitalization threshold for infrastructure items is \$25,000. GASB 34 requires prospective reporting of all infrastructure assets acquired after June 30, 2002. It has also required that all infrastructure assets that were acquired after June 30, 1980 be reported for fiscal years beginning after June 15, 2006. The City is in compliance with this requirement and has previously capitalized infrastructure assets acquired after June 30, 2002.

Property, plant, and equipment of the primary government are depreciated over their useful lives using the straight-line method of depreciation in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The following are estimated useful lives:

| Description                      | Lives (In Years) |
|----------------------------------|------------------|
| Buildings                        | 40 - 50          |
| Equipment                        | 5 - 10           |
| Furniture and fixtures           | 7 - 10           |
| Automobiles and trucks           | 5 - 7            |
| Water and sewer infrastructure   | 20 - 50          |
| Stormwater management facilities | 20 - 50          |
| Purchase capacity                | 50               |

##### 6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. All annual leave and sick leave is accrued when incurred in the government-wide and proprietary financial statements. An expenditure for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (1) Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### **7. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current fiscal period. The face amount of debt issued is reported net of any bond premiums/discounts.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Reservations of fund balance in the Debt Service Fund for the amount of debt service in due within one year have been made to reflect non-availability for those amounts for appropriation in the Debt Service Fund.

##### **8. Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as “due to/from other funds” or “interfund receivable/payable”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “Internal Balances”.

##### **9. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances are not legally required segregations, but rather represent the intent of the City's administration to use fund balances for specific purposes in the future. The designated fund balance of the Automated Speed Enforcement Fund is designated for funding traffic and pedestrian safety.

Encumbrances related to grant-funded contracts may cause a deficit in the undesignated fund balance in some funds. This results from a timing difference between the recording of the original encumbrance of the contract and the recognition of the grant revenue when it is measurable and available.

##### **10. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds of \$543,165. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

When an expense is incurred for which both restricted and unrestricted net assets are available, the City will first apply restricted resources when an expense is incurred.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (2) Detailed Notes On All Funds

#### A. Equity in Pooled Cash and Cash Equivalents

The City maintains cash and investment pool that is available for use by all of the City's funds, except the Pension Trust Fund. The City is restricted by State law to invest in any federally insured bank in the State of Maryland, federally insured savings and loan associations in the State of Maryland, or in the local government investment pool. The City primarily invests in the MLGIP.

As of June 30, 2010, the City had the following deposits and investments included as equity in pooled cash and cash equivalents in the Statement of Net Assets and the Statement of Fiduciary Net Assets:

| Investment Type                        | Fair Value                  |
|--|-----------------------------|
| Deposits                               | \$ 231,894                  |
| Maryland Treasurer's Investment Pool   | 17,697,722                  |
| Money Market Funds                     | 15,016,072                  |
| Federal Agency Discount Notes          | 9,510,000                   |
|  | <hr/>                       |
|  | \$ 42,455,688               |
| Open End Mutual Funds                  | 66,999,825                  |
| Total Fair Market Value of Investments | <hr/> <u>\$ 109,455,513</u> |

#### Deposits:

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks which transact business in the State of Maryland. Such banks must also, secure any deposits in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at the least equal to the deposits. As of June 30, 2010, all the City's deposits were either covered by federal depository insurance or covered by collateral held in the pledging banks trust department in the City's name.

#### Investments:

**Credit Risk:** The Mayor and Council of Rockville recognize that their authority to invest the public funds of the City derives from Section 6-222 of the State of Maryland's Finance and Procurement Article, as well as Article 95, Section 22-22N of the Annotated Code of Maryland. Authority to invest City funds in compliance and provisions of these State statutes is delegated to the Director of Finance. The City invests in Money Market Funds that are rated "AAA" by Standard and Poor's. The City's federal agency discount notes FHLMC, FHLB, and FNMA are rated A-1+ by Standard and Poor's, and the City's longer term Federal Agency Note FHLMC is rated AAA by Standards and Poor's, Fitch and Moody's. All City investments must receive one of the highest ratings from at least one of the national recognized statistical organizations, except for obligations which are backed by full credit of the US Government, obligations of federal agency, or an instrumentality that has been issued in accordance with acts of Congress and unrated. The City also invests in the Maryland Local Government Investment Pool (MLGIP), which is under control of the Maryland State Treasurer's Office. The MLGIP is "AAA" by Standard and Poor's.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of two years from the date of purchase as stated in section XII of the City's investment policy. The money market funds and open-end mutual funds are highly liquid with no fixed maturity and therefore do not expose the City to interest rate risk.

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that in the event of failure of a depository financial institution or counterparty to a transaction, the City will not recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial credit risk at June 30, 2010.



## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

**B. Receivables**

Receivables as of the year end June 30, 2010 for all the government's individual funds are as follows:

| Receivables                     | General   | Debt<br>Service | Capital<br>Projects | Other<br>Governmental<br>Funds | Water     | Sewer     | Refuse    | Parking   | Stormwater<br>Management | RedGate<br>Golf<br>Course | Total        |
|---------------------------------|-----------|-----------------|---------------------|--------------------------------|-----------|-----------|-----------|-----------|--------------------------|---------------------------|--------------|
| Billed / Unbilled Utilities     | -         | -               | -                   | -                              | 2,286,722 | 1,297,973 | 1,298,633 | 1,594,717 | 431,667                  | 4,579                     | \$ 6,914,291 |
| Property Taxes Receivable, net  | 201,411   | -               | -                   | -                              | -         | -         | -         | -         | -                        | -                         | \$ 201,411   |
| Assessments Receivable          | -         | -               | -                   | -                              | 759       | -         | -         | -         | -                        | -                         | \$ 759       |
| Accounts Receivable, net        | 249,337   | -               | -                   | 884,380                        | -         | -         | -         | -         | -                        | -                         | \$ 1,133,717 |
| Interfund Receivable            | 8,686,992 | -               | -                   | -                              | -         | -         | -         | -         | -                        | -                         | \$ 8,686,992 |
| Due from Other Governments      | 1,670,326 | -               | 276,625             | 247,630                        | -         | -         | -         | -         | -                        | -                         | \$ 2,194,581 |
| Other Assets/Receivables        | 758,215   | 20,427          | 652                 | 393                            | -         | -         | 126       | 205       | 248                      | -                         | \$ 780,266   |
| Unbilled Assessments Receivable | -         | 884,610         | -                   | -                              | 14,417    | 15,929    | -         | -         | -                        | -                         | \$ 914,956   |

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts to \$1,137,308 at June 30, 2010, and is composed of the following:

|  |                     |
|--|---------------------|
| General Fund property taxes receivable         | \$ 707,059          |
| Other Governmental Funds violations receivable | 76,427              |
| Enterprise Funds meter violations receivable   | 325,667             |
| Enterprise Funds utility bills receivable      | 28,155              |
|  | <u>\$ 1,137,308</u> |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|  | Deferred            | Unearned            |
|--|---------------------|---------------------|
| Delinquent property taxes receivable (General Fund)    | \$ 201,411          | \$ -                |
| Special assessments not yet due (Debt Service Fund)    | 884,610             | -                   |
| Federal grant revenue (Capital Projects Fund)          | 202,067             | -                   |
| Recreation services not earned (General Fund)          | -                   | 1,022,051           |
| Total deferred/unearned revenue for governmental funds | <u>\$ 1,288,088</u> | <u>\$ 1,022,051</u> |

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

## C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

## Primary Government

|  | Beginning<br>Balance   | Increases             | Decreases          | Transfers              | Ending<br>Balance      |
|--|------------------------|-----------------------|--------------------|------------------------|------------------------|
| <b>Governmental Activities:</b>              |                        |                       |                    |                        |                        |
| Capital assets, not being depreciated:       |                        |                       |                    |                        |                        |
| Land   | \$ 7,843,832           | \$ -                  | \$ -               | \$ -                   | \$ 7,843,832           |
| Construction in progress                     | 97,987,095             | 8,774,328             | -                  | (11,894,735)           | 94,866,688             |
| Total capital assets, not being depreciated  | <u>\$ 105,830,927</u>  | <u>\$ 8,774,328</u>   | <u>\$ -</u>        | <u>\$ (11,894,735)</u> | <u>\$ 102,710,520</u>  |
| Capital assets, being depreciated:           |                        |                       |                    |                        |                        |
| Buildings                                    | 31,392,846             | -                     | -                  | 7,455,520              | 38,848,366             |
| Improvements other than buildings            | 5,599,612              | -                     | -                  | 587,144                | 6,186,756              |
| Equipment                                    | 13,052,842             | 524,788               | -                  | 2,878,173              | 16,455,803             |
| Infrastructure                               | 127,140,255            | -                     | -                  | 973,898                | 128,114,153            |
| Total capital assets being depreciated       | <u>\$ 177,185,555</u>  | <u>\$ 524,788</u>     | <u>\$ -</u>        | <u>\$ 11,894,735</u>   | <u>\$ 189,605,078</u>  |
| Less accumulated depreciation for:           |                        |                       |                    |                        |                        |
| Buildings                                    | (8,948,374)            | (727,780)             | -                  | -                      | (9,676,154)            |
| Improvements other than buildings            | (2,394,547)            | (173,406)             | -                  | -                      | (2,567,953)            |
| Equipment                                    | (7,777,078)            | (986,614)             | -                  | -                      | (8,763,692)            |
| Infrastructure                               | (33,030,473)           | (319,786)             | -                  | -                      | (33,350,259)           |
| Total accumulated depreciation               | <u>\$ (52,150,472)</u> | <u>\$ (2,207,586)</u> | <u>\$ -</u>        | <u>\$ -</u>            | <u>\$ (54,358,058)</u> |
| Total capital assets, being depreciated, net | <u>125,035,083</u>     | <u>(1,682,798)</u>    | <u>-</u>           | <u>11,894,735</u>      | <u>135,247,020</u>     |
| Governmental activities capital assets, net  | <u>\$ 230,866,010</u>  | <u>\$ 7,091,530</u>   | <u>\$ -</u>        | <u>\$ -</u>            | <u>\$ 237,957,540</u>  |
| <b>Business-Type Activities:</b>             |                        |                       |                    |                        |                        |
| Capital assets, not being depreciated:       |                        |                       |                    |                        |                        |
| Land   | \$ 2,058,940           |                       | \$ -               | \$ -                   | \$ 2,058,940           |
| Construction in progress                     | 35,577,812             | 12,420,947            |                    | (30,640,045)           | 17,358,714             |
| Total capital assets, not being depreciated  | <u>\$ 37,636,752</u>   | <u>\$ 12,420,947</u>  | <u>\$ -</u>        | <u>\$ (30,640,045)</u> | <u>\$ 19,417,654</u>   |
| Capital assets, being depreciated:           |                        |                       |                    |                        |                        |
| Buildings                                    | 31,604,199             | -                     | -                  | -                      | 31,604,199             |
| Improvements other than buildings            | 72,101,222             | -                     | -                  | 30,640,045             | 102,741,267            |
| Equipment                                    | 7,701,382              | 654,206               | (38,198)           | -                      | 8,317,390              |
| Purchased capacity                           | 15,279,453             | -                     | -                  | -                      | 15,279,453             |
| Total capital assets being depreciated       | <u>\$ 126,686,256</u>  | <u>\$ 654,206</u>     | <u>\$ (38,198)</u> | <u>\$ 30,640,045</u>   | <u>\$ 157,942,309</u>  |
| Less accumulated depreciation for:           |                        |                       |                    |                        |                        |
| Buildings                                    | (4,916,046)            | (730,906)             | -                  | -                      | (5,646,952)            |
| Improvements other than buildings            | (35,505,270)           | (1,628,347)           | -                  | -                      | (37,133,617)           |
| Equipment                                    | (5,201,922)            | (600,151)             | 38,198             | -                      | (5,763,875)            |
| Purchased capacity                           | (2,361,474)            | (305,589)             | -                  | -                      | (2,667,063)            |
| Total accumulated depreciation               | <u>\$ (47,984,712)</u> | <u>\$ (3,264,993)</u> | <u>\$ 38,198</u>   | <u>\$ -</u>            | <u>\$ (51,211,507)</u> |
| Total capital assets, being depreciated, net | <u>78,701,544</u>      | <u>(2,610,787)</u>    | <u>-</u>           | <u>30,640,045</u>      | <u>106,730,802</u>     |
| Business-type activities capital assets, net | <u>\$ 116,338,296</u>  | <u>\$ 9,810,160</u>   | <u>\$ -</u>        | <u>\$ -</u>            | <u>\$ 126,148,456</u>  |

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

### C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

|   |                     |
|---|---------------------|
| Governmental Activities:                              |                     |
| General Government                                    | 737,246             |
| Community Development                                 | 14,729              |
| Public Safety   | 59,514              |
| Public Works  | 663,638             |
| Recreation and Parks                                  | 732,459             |
| Total depreciation expense - governmental activities  | <u>\$ 2,207,586</u> |
| Business-Type Activities:                             |                     |
| Water   | \$ 1,070,232        |
| Sewer   | 900,717             |
| Refuse  | 304,053             |
| Parking   | 683,328             |
| Stormwater Management                                 | 187,562             |
| Golf Course   | 119,101             |
| Total depreciation expense - business-type activities | <u>\$ 3,264,993</u> |

### D. Interfund Payables and Transfers

The governmental interfund payable as of June 30, 2010 consists of the following:

|  |                               |
|--|-------------------------------|
|  | Interfund<br>Payable<br>Total |
| Governmental Funds:                    |                               |
| Community Development Block Grant Fund | \$ 122,248                    |
| Town Center Management District        | 93,403                        |
| Proprietary Funds:                     |                               |
| Water Facility Fund                    | 3,432,866                     |
| Sanitary Sewer Fund                    | 3,628,966                     |
| RedGate Golf Course Fund               | 1,409,509                     |
| Total                                  | <u>\$ 8,686,992</u>           |

The interfund payables from various funds represent cash overdrafts that are payable to the General Fund within one year.

Interfund transfers for the year ended June 30, 2010 consisted of the following:

|                            |                     |
|----------------------------|---------------------|
| <b><u>Transfer To:</u></b> |                     |
| Capital Project Fund       | \$ 2,378,000        |
| Debt Service Fund          | 4,000,000           |
| Special Activities Fund    | 144,266             |
| Refuse Fund                | 30,000              |
| Parking Fund               | 850,000             |
|                            | <u>\$ 7,402,266</u> |

Transfer from the General Fund to the Capital Projects Fund represents the City's budgeted pay-as-you-go funding.

Transfer from the General Fund to the Debt Service Fund represents resources to pay off general obligation bonds.

Transfer from the General Fund to the Special Activities Fund represents resources for Art in Public Places.

Transfer from the General Fund to the Refuse Fund represents refuse pickup for Rockville Housing Enterprises.

Transfer from the General Fund to the Parking Fund represents resources to pay off general obligation bonds.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

### E. Long-Term Debt

#### General Obligation Bonds, Bond Anticipation Notes and Loan Payable

A loan was awarded to the City for \$998,100 from American Recovery and Reinvestment Act (ARRA) Funds through Maryland Department of the Environment (MDE) in December 2009. This is a revolving loan that was awarded to the City for improvements to Woodley Gardens Park, of which \$227,626 of proceeds were received prior to June 30, 2010, which is recognized as grant revenue.

General obligation bonds are direct city obligations in which the full faith and credit of the government is pledged. These bonds generally are issued as 20-30 year serial bonds with equal amounts of principal maturing each year. General obligation bonds and loan payable currently outstanding are as follows:

|                                  | Year of<br>Issuance | Outstanding<br>Principal | Interest Rate<br>Range | Year of Final<br>Maturity |
|----------------------------------|---------------------|--------------------------|------------------------|---------------------------|
| <b>Governmental Activities</b>   |                     |                          |                        |                           |
| General Improvements             | 1998                | \$ 470,000               | 3.50 - 4.30%           | 2013                      |
| General Improvements             | 2002                | 1,477,979                | 4.00 - 4.65%           | 2021                      |
| General Improvements             | 2003                | 6,570,039                | 2.00 - 3.85%           | 2023                      |
| General Improvements - Refunding | 2003                | 809,286                  | 2.00 - 3.00%           | 2013                      |
| General Improvements             | 2004                | 7,980,000                | 4.00 - 5.00%           | 2029                      |
| Loan Payable                     | 2005                | 178,467                  | 2.00%                  | 2012                      |
| General Improvements             | 2005                | 10,405,000               | 3.50 - 6.00%           | 2025                      |
| General Improvements             | 2007                | 8,840,000                | 4.00 - 4.25%           | 2027                      |
| Total Governmental Activities    |                     | <u>\$ 36,730,771</u>     |                        |                           |
| <b>Business-Type Activities</b>  |                     |                          |                        |                           |
| General Improvements             | 1999                | \$ 1,476,098             | 3.21%                  | 2019                      |
| General Improvements             | 2000                | 1,175,569                | 3.64%                  | 2020                      |
| General Improvements             | 2002                | 2,421,658                | 1.90%                  | 2023                      |
| General Improvements             | 2002                | 1,877,021                | 4.00 - 4.65%           | 2021                      |
| General Improvements             | 2003                | 2,134,961                | 2.00 - 3.875%          | 2023                      |
| General Improvements - Refunding | 2003                | 330,714                  | 2.00 - 3.00%           | 2013                      |
| General Improvements             | 2004                | 6,155,000                | 4.00 - 5.00%           | 2029                      |
| General Improvements             | 2005                | 1,089,945                | 0.00%                  | 2025                      |
| General Improvements             | 2005                | 36,685,000               | 3.50% - 6.00%          | 2036                      |
| General Improvements             | 2007                | 8,850,000                | 4.00 - 4.25%           | 2027                      |
| General Improvements             | 2008                | 11,490,000               | 3.00 - 4.50%           | 2028                      |
| Total Business-Type Activities   |                     | <u>\$ 73,685,966</u>     |                        |                           |

The City anticipates that all amounts required for payment of interest and principal on business-type activities debt will be provided from the respective fund's revenues; however, the bonds are further secured by the full faith and credit and unlimited taxing power of the City.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

### E. Long-Term Debt (Continued)

Unamortized bond discount is not included in outstanding principal for business-type activities.  
The amount for outstanding principal consists of the following:

|   |                     |
|---|---------------------|
| Business-type activities long-term outstanding debt | \$73,685,966        |
| Business-type activities unamortized bond discount  | (331,415)           |
|   | <u>\$73,354,551</u> |

The City's long-term debt for governmental activities are payable during the future years as follows:

| Governmental Activities           |                      |                      |                                    |
|-----------------------------------|----------------------|----------------------|------------------------------------|
| Fiscal Year<br>Ending<br>June 30, | Principal            | Interest             | Total<br>Principal and<br>Interest |
| 2011                              | 3,007,298            | 1,451,286            | 4,458,584                          |
| 2012                              | 2,982,120            | 1,345,920            | 4,328,040                          |
| 2013                              | 2,742,536            | 1,239,826            | 3,982,362                          |
| 2014                              | 2,425,061            | 1,136,055            | 3,561,116                          |
| 2015                              | 2,425,061            | 1,043,706            | 3,468,767                          |
| 2016                              | 2,425,061            | 953,354              | 3,378,415                          |
| 2017                              | 2,425,061            | 856,311              | 3,281,372                          |
| 2018                              | 2,425,061            | 758,222              | 3,183,283                          |
| 2019                              | 2,425,061            | 660,729              | 3,085,790                          |
| 2020                              | 2,425,061            | 562,662              | 2,987,723                          |
| 2021                              | 2,425,140            | 463,455              | 2,888,595                          |
| 2022                              | 2,286,347            | 363,280              | 2,649,627                          |
| 2023                              | 2,281,903            | 268,875              | 2,550,778                          |
| 2024                              | 1,780,000            | 172,525              | 1,952,525                          |
| 2025                              | 1,210,000            | 94,113               | 1,304,113                          |
| 2026                              | 520,000              | 44,200               | 564,200                            |
| 2027                              | 520,000              | 22,100               | 542,100                            |
| Total                             | <u>\$ 36,730,771</u> | <u>\$ 11,436,619</u> | <u>\$ 48,167,390</u>               |

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

### E. Long-Term Debt (Continued)

The City's long-term debt for business type activities are payable during future years as follows:

#### Business-Type Activities

| Fiscal Year<br>Ending<br>June 30, | Water<br>Facility |              | Sanitary<br>Sewer |              | Refuse       |            | Parking       |               | RedGate<br>Golf Course |           | Stormwater<br>Management |          | Total<br>Principal and<br>Interest |
|-----------------------------------|-------------------|--------------|-------------------|--------------|--------------|------------|---------------|---------------|------------------------|-----------|--------------------------|----------|------------------------------------|
|                                   | Principal         | Interest     | Principal         | Interest     | Principal    | Interest   | Principal     | Interest      | Principal              | Interest  | Principal                | Interest | Interest                           |
| 2011                              | 1,671,866         | 755,168      | 1,183,565         | 649,780      | 375,000      | 101,700    | 735,000       | 1,387,511     | 24,803                 | 10,869    | 72,663                   | -        | 6,967,925                          |
| 2012                              | 1,677,024         | 702,997      | 1,176,752         | 606,761      | 375,000      | 86,800     | 760,000       | 1,361,061     | 24,803                 | 10,162    | 72,663                   | -        | 6,854,023                          |
| 2013                              | 1,652,561         | 650,638      | 1,142,687         | 563,496      | 375,000      | 71,900     | 785,000       | 1,333,711     | 24,804                 | 9,418     | 72,663                   | -        | 6,681,878                          |
| 2014                              | 1,634,834         | 597,198      | 1,110,135         | 519,209      | 375,000      | 56,900     | 820,000       | 1,302,312     | 24,803                 | 8,674     | 72,663                   | -        | 6,521,728                          |
| 2015                              | 1,642,289         | 543,406      | 1,105,136         | 475,688      | 365,000      | 41,900     | 850,000       | 1,269,512     | 24,803                 | 7,930     | 72,663                   | -        | 6,398,327                          |
| 2016                              | 1,660,117         | 490,302      | 1,105,136         | 433,594      | 345,000      | 27,400     | 885,000       | 1,238,699     | 24,804                 | 7,156     | 72,663                   | -        | 6,289,871                          |
| 2017                              | 1,673,332         | 423,239      | 1,105,136         | 388,356      | 340,000      | 13,600     | 920,000       | 1,201,086     | 24,804                 | 6,349     | 72,663                   | -        | 6,168,565                          |
| 2018                              | 1,437,863         | 351,531      | 1,100,135         | 342,841      | -            | -          | 960,000       | 1,161,894     | 24,803                 | 5,505     | 72,663                   | -        | 5,457,235                          |
| 2019                              | 1,170,964         | 299,628      | 1,100,136         | 298,055      | -            | -          | 1,000,000     | 1,122,714     | 24,803                 | 4,637     | 72,663                   | -        | 5,093,600                          |
| 2020                              | 993,966           | 251,682      | 1,100,135         | 253,044      | -            | -          | 1,040,000     | 1,081,894     | 24,803                 | 3,744     | 72,663                   | -        | 4,821,931                          |
| 2021                              | 860,350           | 212,462      | 1,100,370         | 207,673      | -            | -          | 1,080,000     | 1,039,244     | 24,804                 | 2,827     | 72,663                   | -        | 4,600,393                          |
| 2022                              | 864,157           | 185,110      | 924,518           | 162,063      | -            | -          | 1,125,000     | 994,669       | 24,803                 | 1,896     | 72,663                   | -        | 4,354,879                          |
| 2023                              | 863,058           | 157,741      | 923,478           | 124,417      | -            | -          | 1,175,000     | 948,059       | 24,618                 | 954       | 72,664                   | -        | 4,289,989                          |
| 2024                              | 724,060           | 119,213      | 785,000           | 86,301       | -            | -          | 1,220,000     | 898,609       | -                      | -         | 72,664                   | -        | 3,905,847                          |
| 2025                              | 655,000           | 91,594       | 650,000           | 52,737       | -            | -          | 1,275,000     | 846,053       | -                      | -         | 72,664                   | -        | 3,643,048                          |
| 2026                              | 480,000           | 63,375       | 305,000           | 25,924       | -            | -          | 1,330,000     | 791,140       | -                      | -         | -                        | -        | 2,995,439                          |
| 2027                              | 480,000           | 42,375       | 305,000           | 12,962       | -            | -          | 1,390,000     | 733,040       | -                      | -         | -                        | -        | 2,963,377                          |
| 2028                              | 475,000           | 21,375       | -                 | -            | -            | -          | 1,450,000     | 672,300       | -                      | -         | -                        | -        | 2,618,675                          |
| 2029                              | -                 | -            | -                 | -            | -            | -          | 1,515,000     | 608,350       | -                      | -         | -                        | -        | 2,123,350                          |
| 2030                              | -                 | -            | -                 | -            | -            | -          | 1,580,000     | 541,525       | -                      | -         | -                        | -        | 2,121,525                          |
| 2031                              | -                 | -            | -                 | -            | -            | -          | 1,645,000     | 474,375       | -                      | -         | -                        | -        | 2,119,375                          |
| 2032                              | -                 | -            | -                 | -            | -            | -          | 1,715,000     | 404,463       | -                      | -         | -                        | -        | 2,119,463                          |
| 2033                              | -                 | -            | -                 | -            | -            | -          | 1,790,000     | 331,575       | -                      | -         | -                        | -        | 2,121,575                          |
| 2034                              | -                 | -            | -                 | -            | -            | -          | 1,865,000     | 255,500       | -                      | -         | -                        | -        | 2,120,500                          |
| 2035                              | -                 | -            | -                 | -            | -            | -          | 1,945,000     | 173,906       | -                      | -         | -                        | -        | 2,118,906                          |
| 2036                              | -                 | -            | -                 | -            | -            | -          | 2,030,000     | 88,813        | -                      | -         | -                        | -        | 2,118,813                          |
| Total                             | \$ 20,616,441     | \$ 5,959,034 | \$ 16,222,319     | \$ 5,202,901 | \$ 2,550,000 | \$ 400,200 | \$ 32,885,000 | \$ 22,262,015 | \$ 322,258             | \$ 80,121 | \$ 1,089,948             | \$ -     | \$ 107,590,237                     |

Note: Principal amounts do not include net unamortized bond (discount)/premium of \$21,885 for business-type activities.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

### E. Long-Term Debt (Continued)

The requirements for long-term debt are summarized as follows:

#### Governmental Activities

| Fiscal Year<br>Ending<br>June 30, | Principal            | Interest             | Total<br>Principal and<br>Interest |
|-----------------------------------|----------------------|----------------------|------------------------------------|
| 2011                              | 3,007,298            | 1,451,286            | 4,458,584                          |
| 2012                              | 2,982,120            | 1,345,920            | 4,328,040                          |
| 2013 - 2017                       | 12,442,780           | 5,229,252            | 17,672,032                         |
| 2018 - 2022                       | 11,986,670           | 2,808,348            | 14,795,018                         |
| 2023 - 2027                       | 6,311,903            | 601,813              | 6,913,716                          |
| <b>Total</b>                      | <b>\$ 36,730,771</b> | <b>\$ 11,436,619</b> | <b>\$48,167,390</b>                |

#### Business-Type Activities

| Fiscal Year<br>Ending<br>June 30, | Water<br>Facility    |                     | Sanitary<br>Sewer    |                     | Refuse              |                   | Parking              |                      | RedGate<br>Golf Course |                  | Stormwater<br>Management |             | Total<br>Principal and<br>Interest |
|-----------------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|-------------------|----------------------|----------------------|------------------------|------------------|--------------------------|-------------|------------------------------------|
|                                   | Principal            | Interest            | Principal            | Interest            | Principal           | Interest          | Principal            | Interest             | Principal              | Interest         | Principal                | Interest    |                                    |
| 2011                              | 1,671,866            | 755,168             | 1,183,565            | 649,780             | 375,000             | 101,700           | 735,000              | 1,387,511            | 24,803                 | 10,869           | 72,663                   | -           | 6,967,925                          |
| 2012                              | 1,677,024            | 702,997             | 1,176,752            | 606,761             | 375,000             | 86,800            | 760,000              | 1,361,061            | 24,803                 | 10,162           | 72,663                   | -           | 6,854,023                          |
| 2013 - 2017                       | 8,263,133            | 2,704,783           | 5,568,230            | 2,380,343           | 1,800,000           | 211,700           | 4,260,000            | 6,345,320            | 124,018                | 39,527           | 363,315                  | -           | 32,060,369                         |
| 2018 - 2022                       | 5,327,300            | 1,300,413           | 5,325,294            | 1,263,676           | -                   | -                 | 5,205,000            | 5,400,415            | 124,016                | 18,609           | 363,315                  | -           | 24,328,038                         |
| 2023 - 2027                       | 3,202,118            | 474,298             | 2,968,478            | 302,341             | -                   | -                 | 6,390,000            | 4,216,901            | 24,618                 | 954              | 217,992                  | -           | 17,797,700                         |
| 2028 - 2032                       | 475,000              | 21,375              | -                    | -                   | -                   | -                 | 7,905,000            | 2,701,013            | -                      | -                | -                        | -           | 11,102,388                         |
| 2033 - 2037                       | -                    | -                   | -                    | -                   | -                   | -                 | 7,630,000            | 849,794              | -                      | -                | -                        | -           | 8,479,794                          |
| <b>Total</b>                      | <b>\$ 20,616,441</b> | <b>\$ 5,959,034</b> | <b>\$ 16,222,319</b> | <b>\$ 5,202,901</b> | <b>\$ 2,550,000</b> | <b>\$ 400,200</b> | <b>\$ 32,885,000</b> | <b>\$ 22,262,015</b> | <b>\$ 322,258</b>      | <b>\$ 80,121</b> | <b>\$ 1,089,948</b>      | <b>\$ -</b> | <b>\$ 107,590,237</b>              |

Note: Principal amounts do not include net unamortized bond (discount) /premium of \$21,885 for business-type activities.

# City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (2) Detailed Notes On All Funds (Continued)

### E. Long-Term Debt (Continued)

#### Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2010, \$264,600 of bonds outstanding relating to general obligations that were accounted for within the governmental activities group are considered defeased. In accordance with the applicable bond indentures, the trustees will continue to extinguish the defeased debt until 2011.

#### Changes in Long-Term Liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2010:

|   | Balance as of<br>6/30/09 | Additions         | Reductions            | Net<br>Amortization<br>of Bond<br>Discount/<br>Premium | Balance as of<br>6/30/10 | Remaining<br>Unamortized Bond<br>(Discount) /<br>Premium 6/30/10 | Due within<br>One Year |
|---|--------------------------|-------------------|-----------------------|--|--------------------------|--|------------------------|
| <b><u>Governmental Activities</u></b>           |                          |                   |                       |  |                          |  |                        |
| General obligation bonds                        | \$ 39,930,132            | \$ -              | \$ (3,380,354)        | \$ -   | \$ 36,549,778            |  | \$ 3,036,859           |
| Loan payable-CELP                               | 264,670                  | -                 | (83,677)              | -  | 180,993                  | -  | 87,938                 |
| Accrued obligations for<br>compensated absences | 4,212,430                | 607,830           | (545,894)             | -  | 4,274,366                | -  | 3,120,288              |
| Governmental activity<br>long-term liabilities  | <u>\$ 44,407,232</u>     | <u>\$ 607,830</u> | <u>\$ (4,009,925)</u> | <u>\$ -</u>  | <u>\$ 41,005,137</u>     | <u>\$ -</u>  | <u>\$ 6,245,085</u>    |
| <b><u>Business-type Activities</u></b>          |                          |                   |                       |  |                          |  |                        |
| General obligation bonds                        |                          |                   |                       |  |                          |  |                        |
| Water facility fund                             | 22,195,603               | -                 | (1,754,339)           | 6,809  | 20,448,073               | 117,591  | 1,671,866              |
| Sanitary sewer fund                             | 17,426,231               | -                 | (1,236,555)           | 2,054  | 16,191,730               | (14,506)   | 1,183,565              |
| Refuse fund                                     | 2,926,785                | -                 | (375,000)             | 1,775  | 2,553,560                | 11,776   | 375,000                |
| Parking fund                                    | 33,588,947               | -                 | (710,000)             | (3,685)  | 32,875,262               | (91,987)   | 735,000                |
| Stormwater<br>management fund                   | 1,088,948                | -                 | (72,663)              | -  | 1,016,285                | -  | 72,663                 |
| RedGate golf course fund                        | 345,996                  | -                 | (24,803)              | (76)   | 321,117                  | (989)  | 24,803                 |
| Accrued obligations for<br>compensated absences | 815,472                  | 99,304            | (41,903)              | -  | 872,873                  | -  | 637,197                |
| Business-type activity<br>long-term liabilities | <u>\$ 78,387,982</u>     | <u>\$ 99,304</u>  | <u>\$ (4,215,263)</u> | <u>\$ 6,877</u>  | <u>\$ 74,278,900</u>     | <u>\$ 21,885</u>   | <u>\$ 4,700,094</u>    |

#### Notes:

- The compensated absences in the governmental activities will be paid out of the General Fund.
- The long-term debt balance as of 6/30/10 for business-type activities includes the cumulative net amortization of bond (Discount)/Premium in the amount of \$279,393.



## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### F. Restricted Assets

The balances of the restricted asset accounts in the proprietary funds are as follows:

|   |             |
|---|-------------|
| Reserved for debt payment – Water Facility        | \$1,671,866 |
| Reserved for debt payment –Sanitary Sewer         | \$1,183,565 |
| Reserved for debt payment – Refuse                | \$375,000   |
| Reserved for debt payment – Parking               | \$735,000   |
| Reserved for debt payment – Stormwater Management | \$72,663    |
| Reserved for debt payment – RedGate Golf Course   | \$24,803    |

### G. Operating Leases

The City entered into a ten year office lease which began on June 1, 2004, and expires on May 31, 2014. Total annual rent is \$94,800, with an annual rent increase of 3% for each year, thereafter. The City also has a five year office lease which began on June 1, 2008 and expires on May 31, 2013. Total annual rent is \$101,551 with an annual rent increase of 3% each year thereafter.

| Year  | Rent Amount       |
|-------|-------------------|
| 2011  | 224,328           |
| 2012  | 231,058           |
| 2013  | 237,990           |
| 2014  | 127,404           |
| Total | <u>\$ 820,780</u> |

The City leased the Arts and Innovations Center to VisArts under a 20 year lease which began on August 1, 2007 and expires on June 30, 2027. The rental income for the months beginning August 1, 2007 through July 1, 2008 were abated and the base rent for that year will be allocated over lease years 2009, 2010, and 2011. The City began receiving monthly income for this lease on August 1, 2008.

| Year  | Rent Amount       |
|-------|-------------------|
| 2011  | 36,651            |
| 2012  | 28,138            |
| 2013  | 28,982            |
| 2014  | 29,851            |
| 2015  | 30,747            |
| 2016  | 31,669            |
| 2017  | 32,619            |
| 2018  | 33,598            |
| 2019  | 34,606            |
| 2020  | 35,644            |
| 2021  | 36,713            |
| 2022  | 37,815            |
| 2023  | 38,949            |
| 2024  | 40,118            |
| 2025  | 41,321            |
| 2026  | 42,561            |
| 2027  | 43,838            |
| Total | <u>\$ 603,820</u> |

## City of Rockville, Maryland

### Notes to the Basic Financial Statements June 30, 2010

#### **(3) Other Information**

##### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters; and employee health benefits.

The City participates in the Montgomery County Liability and Property Coverage self-insurance fund, under which participants share coverage for worker's compensation, comprehensive general, automobile and professional liability, fire and theft, and the liability for errors, omissions and other selected areas that require coverage. The Montgomery County Division of Risk Management is the administrator of the fund. The City pays an annual premium to Montgomery County for its insurance coverage.

The City continues to carry commercial insurance for employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### **B. Prior Period Adjustment and Individual Fund Disclosure**

The Town Center Management District Fund currently has a deficit of \$184,272 which is shown on the Combining Statement of Revenues, Expenses, and Changes in Fund Assets - Nonmajor Governmental Funds.

The adjustment of the beginning fund balance of the General Fund is to properly record cash inadvertently excluded from the total cash balance in the amount of \$51,566.

The adjustment of the beginning fund balance of the Capital Projects Fund is to record the transfer of certain capital projects to the Special Activities Fund in the amount of \$1,358,089.

The adjustment of the beginning fund balance of the Special Activities Fund is to record the transfer of certain capital projects from the Capital Projects Fund in the amount of \$1,358,089.

The adjustment of the beginning fund balance of the Automated Speed Enforcement Fund is to correct Machinery and Equipment inappropriately capitalized in the amount of \$36,383.

##### **C. Contingent Liabilities**

###### Washington Suburban Sanitary Commission (WSSC)

The City had contracted with WSSC to upgrade and enhance a portion of the Blue Plains Waste Water Treatment Plant. Through June 30, 2010, the City had paid \$36,900,050 as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines, which were recorded in capital assets. The City's remaining contribution through the completion of the project is estimated to be \$12,823,091 for treatment capacity. The City intends to issue bonds to fund most of these costs.

The City has no direct ongoing equity interest in WSSC's assets and liabilities. Furthermore, the City has no significant influence over the management of the treatment facilities. Accordingly, the City does not record this contractual arrangement as a joint venture.

In addition to the capacity cost described above, WSSC charges the City a portion of its operating costs for treatment of sewage. The City accrues an amount for these charges each year based on its best estimate of usage. Adjustments to the accrued charges which result from subsequent billings by WSSC are recorded in the period during which the final bill is received by the City.

###### Litigation

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total amount of pending lawsuits and claims not covered by insurance nor expressly provided in these statements will not have an adverse impact on the City's financial condition.

##### **D. Other Post-employment Benefits**

In addition to the pension benefits described in Note 3D, the City provides post-employment health benefits. The pension plan, under the direction of the Retirement Board, authorizes a retiree who elects to stay with the City's policy group to receive from the City the employer's share (i.e., the same level of premium support given to current employees) of medical insurance premiums up until age 65. In the event a retiree establishes residency outside the geographic area served by the City's group health insurance carriers, that person may purchase coverage and receive reimbursement from the City in an amount not to exceed the prevailing two-person coverage employer rate granted to current employees.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (3) Other Information (Continued)

#### D. Other Post-employment Benefits (Continued)

10 years of service, or (c) take early retirement from the City when their age plus service equals or exceeds 85. Eligible police retirees are those who have met the conditions stated above or who have attained their normal retirement date on the first day of the month coinciding with or following the earlier of (a) the employee's 60th birthday or (b) the later of the employee's 51st birthday and completion of 25 years of credited service. Previously, the City financed the post employment health insurance on a pay-as-you-go basis and expenditures for these insurance premiums were recorded in the General Fund. However, during fiscal year 2009, the City implemented GASB statements 43 and 45 and created a single-employer plan. The City established an irrevocable trust for administering the plan assets and paying health care costs on behalf of the participants. During fiscal year 2010, 13 retirees received post employment health benefits. Expenditures of \$69,820 were incurred and will be reimbursed by the trust. The City funded \$237,281 of the Annual Required Contribution (ARC) of \$1,425,000. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

#### Funding Policy and Annual Pension Cost - Other Post Employment Benefits\*

| Year | Actuarial<br>Unfunded<br>Accrued<br>Liability | Amortization<br>of Actuarial<br>Unfunded<br>Accrued<br>Liability | Normal Cost | Annual<br>Required<br>Contribution | ARC Funding | ARC<br>Funding<br>Ratio | Net OPEB<br>Obligation<br>(NOO) |
|------|---|--|-------------|------------------------------------|-------------|-------------------------|---------------------------------|
| 2009 | \$10,136,000                                  | \$581,000  | \$726,000   | \$1,307,000                        | \$1,715,000 | 131%                    | (408,000)                       |
| 2010 | \$12,077,000                                  | \$575,000  | \$850,000   | \$1,425,000                        | \$237,281   | 17%                     | \$1,187,719                     |

\*Implementation of GASB statements 43 and 45 took place in FY 2009, therefore, information is only available for one proceeding year.

The funded status of the plan as of April 1, 2010, the most recent actuarial date, is as follows:

| Actuarial<br>Valuation Date | (A)<br>Actuarial Value<br>of Assets | (B)<br>Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age | (A-B)<br>Funded<br>(unfunded)<br>AAL<br>(FAAL)/UAAL | (A / B)<br>Funded Ratio | (C)<br>Covered Payroll | ((A - B) / C)<br>FAAL / UAAL<br>as a percentage<br>of Covered<br>Payroll |
|-----------------------------|-------------------------------------|---|---|-------------------------|------------------------|--|
| April 1<br>2010             | 1,574,000                           | 8,801,000   | (7,227,000)   | 17.9%                   | 31,708,344             | -22.8%   |

#### Actuarial Assumptions

|                              |   |
|------------------------------|---|
| Actuarial valuation Date:    | 9/1/2009  |
| Actuarial cost method:       | Project Unit Credit   |
| Amortization method:         | 30 years using level percentage of pay  |
| Asset valuation method:      | Fair Value  |
| Actuarial trend assumptions: | Medical and prescription drug trend rate applied to FY 2010 is 8.02%. This rate decreases by approximately 1% for FY 2011 thru FY 2013. The ultimate rate is 4.20%. |
| Interest assumption:         | 7%  |

#### E. Pension Plan

The City employees participate in one single-employer defined benefit pension plan and one defined contribution pension plan. The Retirement Board has the authority to establish and amend the benefit provisions of the pension plans including contribution requirements of the employees and employer.

## City of Rockville, Maryland

### Notes to the Basic Financial Statements June 30, 2010

#### (3) Other Information (Continued)

##### E. Pension Plan (Continued)

The financial statements of the City's pension plans are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. City contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Principal Financial Group is the administrator of the single-employer defined benefit plan and defined contribution plan, which was established and is administered by the City. The Public Employee Retirement System (PERS) is considered part of the City reporting entity and is included in the City's financial reports as Pension Trust Funds. The plans do not issue separate financial statements.

The PERS has a defined benefit option and a defined contribution option, which are reported as separate Pension Trust Funds.

##### (1) Defined Benefit Option

This option is available to police employees, who participate 100 percent in the defined benefit option regardless of the date of employment, and non-police employees who were members of the plan as of April 14, 1986. All benefits vest after 10 years of credited service. An employee who retires at age 60 or a police employee with the completion of 25 years of credited service regardless of age is entitled to an annual retirement benefit, payable monthly for life (120 payments are guaranteed), for union employees in an amount equal to 1.8 percent of his/her final average salary, for each year of credited service, for administrative personnel in an amount equal to 1.8 percent before April 1, 1996, and 2.0 percent on or after April 1, 1996, of his/her final average salary, for each year of credited service and for police personnel in an amount equal to the lesser of (a)(1) 2.0 percent of his/her final average earnings multiplied by his/her years of credited service prior to April 1, 2004, plus (2) 2.25 percent of his/her final average earnings multiplied by his/her years of credited service on or after April 1, 2004, or (b) 60 percent of his/her final average earnings. Final average salary for administrative personnel and union employees is computed as the average earnings over three consecutive years within the last 10 years of service which produces the highest average and for police employees the average annual earnings is computed as the average annual earnings during the final 60 months of employment with the City.

Covered police and pre-1986 non-police employees are required by statute to contribute a certain percent (4.2 percent for union, 5.2 percent for administrative and 8.5 percent for police) of their salaries to the plan. If an employee leaves covered employment or dies before 10 years of credited service (based upon a graduated vesting schedule of 50 percent after five years, up to 100 percent after 10 years of credited service), accumulated employee contributions plus credited interest thereon at the rate of 6 percent and a portion of the City's contribution (City contributions are deemed to be 150 percent of the employees contributions plus credited interest) are paid to the employee or designated beneficiary.

This option also is available to full-time, permanent, non-police employees hired on or after April 15, 1986. These employees also are covered by the defined contribution option described below. Employees are required to participate from the date of employment. Union employees are covered for an annual benefit equal to 1 percent of average salary and administrative personnel are covered for an annual benefit equal to 1.0 percent before April 1, 1996, and 1.2 percent on or after April 1, 1996, of average salary (as previously defined) for each year of credited service. Administrative personnel are required by statute to contribute 1 percent of their salaries to the plan starting April 1, 1996. Employees are vested 100% after 10 years of service.

##### (2) Defined Contribution Option

Full-time, permanent non-police employees hired on or after April 15, 1986, are required to participate in this option from the date of employment. The plan allows contributions up to a maximum of 5 percent of earnings. The employee contributions are matched \$.50 by the City for each \$1 contributed by the employee. The employee is fully vested in his/her employee contributions and investment earnings thereon. The City's contribution for each employee (City's contributions and investment earnings thereon) is partially vested after three years and fully vested after seven years of credited service. Employees attaining the age of 60 become fully vested regardless of the number of years of credited service. The contributions actually made in FY 10 for plan members were \$1,277,877 and the City contributed \$638,924.

Membership in the defined benefit plan consisted of the following at April 1, 2009, the date of the latest actuarial valuation.

|   |            |
|---|------------|
| Retirees and beneficiaries receiving payments                 | 170        |
| Terminated plan members vested but not yet receiving payments | 184        |
| Active plan members   | 541        |
| Total   | <u>895</u> |

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

## (3) Other Information (Continued)

## E. Pension Plan (Continued)

Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2010

|   | Defined<br>Contributions Option | Defined<br>Benefit Option | OPEB<br>Trust       | Total Pension<br>Trust Funds |
|---|---------------------------------|---------------------------|---------------------|------------------------------|
| <u>Additions</u>  |                                 |                           |                     |                              |
| Contributions   |                                 |                           |                     |                              |
| Employer  | \$ 638,924                      | \$ 2,511,752              | \$ 237,281          | \$ 3,387,957                 |
| Plan members  | 1,277,877                       | 713,552                   | -                   | 1,991,429                    |
| Total contributions                                       | <u>\$ 1,916,801</u>             | <u>\$ 3,225,304</u>       | <u>\$ 237,281</u>   | <u>\$ 5,379,386</u>          |
| Investment Income   |                                 |                           |                     |                              |
| Net appreciation in the fair value<br>of plan investments | 1,075,981                       | 4,730,308                 | 139,686             | 5,945,975                    |
| Interest and dividends                                    | 76,397                          | -                         | 34,288              | 110,685                      |
| Total investment income                                   | <u>\$ 1,152,378</u>             | <u>\$ 4,730,308</u>       | <u>\$ 173,974</u>   | <u>\$ 6,056,660</u>          |
| Total additions   | <u>\$ 3,069,179</u>             | <u>\$ 7,955,612</u>       | <u>\$ 411,255</u>   | <u>\$ 11,436,046</u>         |
| <u>Deductions</u>   |                                 |                           |                     |                              |
| Benefits  | \$ -                            | \$ 2,816,612              | \$ -                | \$ 2,816,612                 |
| Refunds to terminated employees                           | 635,517                         | -                         | -                   | 635,517                      |
| Cash retirements  | 241,418                         | -                         | -                   | 241,418                      |
| Deaths  | 6,215                           | -                         | -                   | 6,215                        |
| Administrative expense                                    | 38,911                          | 73,028                    | 1,884               | 113,823                      |
| Total deductions  | <u>\$ 922,061</u>               | <u>\$ 2,889,640</u>       | <u>\$ 1,884</u>     | <u>\$ 3,813,585</u>          |
| Net (decrease)/increase                                   | 2,147,118                       | 5,065,972                 | 409,371             | 7,622,461                    |
| Net assets - beginning                                    | 13,189,248                      | 44,885,119                | 1,302,997           | 59,377,364                   |
| Net assets - ending                                       | <u>\$ 15,336,366</u>            | <u>\$ 49,951,091</u>      | <u>\$ 1,712,368</u> | <u>\$ 66,999,825</u>         |

Combining Statement of Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2010

|   | Defined<br>Contributions Option | Defined<br>Benefit Option | OPEB<br>Trust       | Total Pension<br>Trust Funds |
|---|---------------------------------|---------------------------|---------------------|------------------------------|
| Assets  |                                 |                           |                     |                              |
| Investments at fair value - equity<br>in pooled pension trust | <u>\$ 15,336,366</u>            | <u>\$ 49,951,091</u>      | <u>\$ 1,712,368</u> | <u>\$ 66,999,825</u>         |
| Liabilities   | <u>-</u>                        | <u>-</u>                  | <u>-</u>            | <u>-</u>                     |
| Net Assets  |                                 |                           |                     |                              |
| Available for plan benefits                                   | <u>\$ 15,336,366</u>            | <u>\$ 49,951,091</u>      | <u>\$ 1,712,368</u> | <u>\$ 66,999,825</u>         |

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2010

### (3) Other Information (Continued)

#### E. Pension Plan (Continued)

##### Funding Policy and Annual Pension Cost - Defined Benefit Option

The funded status of the plan as of April 1, 2009 the most recent actuarial date, is as follows:

| Actuarial<br>Valuation Date | (A)<br>Actuarial Value<br>of Assets | (B)<br>Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age | (A-B)<br>Funded<br>(unfunded)<br>AAL<br>(FAAL)/UAAL | (A / B)<br>Funded Ratio | (C)<br>Covered Payroll | ((A - B) / C)<br>FAAL / UAAL<br>as a percentage<br>of Covered<br>Payroll |
|-----------------------------|-------------------------------------|---|---|-------------------------|------------------------|--|
| April 1<br>2009             | 61,698,621                          | 72,290,941  | (10,592,320)  | 85.3%                   | 31,708,344             | -33.4%   |

The schedules of funding progress presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the AALs for benefits.

The employee contribution requirements for the plan are set by the Retirement Board. The City's annual contribution is based on annual actuarial valuations. The City of Rockville bears the cost of administering the pension plan. In Plan Year 2009, the actuarial valuation ARC was \$2,511,752 and the City contributed \$2,511,752. The ARC for plan year 2009 was paid in fiscal year 2010.

|                            |                            |
|----------------------------|----------------------------|
| Contribution rates         |                            |
| City                       | 6.21% -6.30%               |
| Plan members               | 0.00% - 8.50%              |
| Annual pension cost        | \$2,511,752                |
| Contributions made         | \$2,511,752                |
| Actuarial valuation date   | 4/1/2009                   |
| Actuarial cost method      | Entry age normal           |
| Amortization method        | Closed                     |
| Amortization period        | 20 years                   |
| Asset valuation method     |                            |
| Fixed income assets        | Contract basis             |
| United States Stock        | Four years smoothed market |
| Actuarial assumptions      |                            |
| Investment rate of return  | 6.50%                      |
| Projected salary increases | 3.88% - 8.10%              |
| includes inflation at      | 3.00%                      |
| Cost of living adjustment  | 0.00%                      |

**City of Rockville, Maryland**

Notes to the Basic Financial Statements  
June 30, 2010

**(4) New Governmental Accounting Standards Board Standards**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2010 that have effective dates that will impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* is effective after June 10, 2010. This statement will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Elimination of the reserved component of fund balance will be replaced by restricted to enhance the information reported in the government-wide statements and information in the governmental fund financial statements.
- GASB Statement No. 59, *Financial Instruments Omnibus* is effective for the City beginning after June 15, 2010. The Statement will improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments

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## **Required Supplementary Information**



# City of Rockville, Maryland

## Public Employee Retirement System - Schedule of Funding Progress

June 30, 2010

(Unaudited - See Accompanying Independent Auditor's Report)

### Schedule of Funding Progress

Historical trend information about pension plans is presented herewith as required supplementary information. This information is intended to help users assess pension plan funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems. The amount shown in the historical trend information as the "actuarial accrued liability" is a measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. Annual pension costs equal the employer's annual required contributions for all disclosed fiscal years.

| Actuarial<br>Valuation Date<br>April 1 | (A)<br>Actuarial Value<br>of Assets | (B)<br>Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age | (A - B)<br>Funded<br>(Unfunded)<br>AAL<br>(FAAL) / UAAL | (A / B)<br>Funded Ratio | (C)<br>Covered Payroll | ((A - B) / C)<br>FAAL / UAAL<br>as a percentage<br>of Covered<br>Payroll |
|--|-------------------------------------|---|---|-------------------------|------------------------|--|
| 2004                                   | 47,866,312                          | 51,064,065  | (3,197,753)   | 93.7%                   | 25,211,836             | -12.7%   |
| 2005                                   | 50,585,815                          | 54,966,616  | (4,380,801)   | 92.0%                   | 25,290,170             | -17.3%   |
| 2006                                   | 54,487,954                          | 58,873,284  | (4,385,330)   | 92.6%                   | 26,243,676             | -16.7%   |
| 2007                                   | 60,851,362                          | 63,778,911  | (2,927,549)   | 95.4%                   | 25,923,304             | -11.3%   |
| 2008                                   | 63,868,591                          | 66,853,253  | (2,984,662)   | 95.5%                   | 26,221,689             | -11.4%   |
| 2009                                   | 61,698,621                          | 72,290,941  | (10,592,320)  | 85.3%                   | 31,708,344             | -33.4%   |

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and funded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides an indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in the funded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the funded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, the greater this percentage, the stronger the PERS.

# City of Rockville, Maryland

## Public Employee Retirement System - Schedule of Employer Contributions

June 30, 2010

(Unaudited - See Accompanying Independent Auditor's Report)

### Schedule of Employer Contributions

The PERS funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The actuarial assumptions used to compute the required contribution amount are the same as those used to compute the pension benefits earned. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the credited projected benefits actuarial funding method with proration based on service. The City is required to contribute all amounts in excess of employee contributions necessary to fund this pension plan, using the entry age-normal actuarial method.

| Fiscal Year<br>Ending June 30 | Annual<br>Required<br>Contribution<br>(ARC) | Percentage of ARC<br>Contributed | Net Pension<br>Obligation |
|-------------------------------|---|----------------------------------|---------------------------|
| 2005                          | \$ 1,529,727                                | 100%                             | \$ -                      |
| 2006                          | \$ 1,473,052                                | 100%                             | \$ -                      |
| 2007                          | \$ 1,599,777                                | 100%                             | \$ -                      |
| 2008                          | \$ 1,550,658                                | 100%                             | \$ -                      |
| 2009                          | \$ 1,578,653                                | 125%                             | \$ (403,164)              |
| 2010                          | \$ 2,511,752                                | 100%                             | \$ (394,107)              |

Contributions have been made in accordance with actuarially determined requirements which have been computed each year.

# City of Rockville, Maryland

## Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2010

|   | Original Budget       | Budget as Amended     | Actual                | Variance from Amended Budget Positive/(Negative) |
|---|-----------------------|-----------------------|-----------------------|--|
| <b>Revenue</b>  |                       |                       |                       |  |
| Property Taxes  | \$ 34,345,140         | \$ 34,345,140         | \$ 35,454,838         | \$ 1,109,698                                     |
| Revenue from Other Governments:   |                       |                       |                       |  |
| Income taxes  | 9,300,000             | 9,300,000             | 10,306,947            | 1,006,947  |
| Gas and motor vehicle taxes   | 2,400,000             | 240,000               | 325,985               | 85,985   |
| County tax duplication payment  | 2,228,449             | 2,228,449             | 2,228,449             | -  |
| Admissions and amusement taxes  | 850,000               | 950,000               | 1,006,370             | 56,370   |
| Grants and other governmental revenue   | 1,459,275             | 1,658,653             | 1,531,670             | (126,983)  |
| Licenses and permits  | 1,954,500             | 1,654,500             | 1,737,186             | 82,686   |
| Charges for Services  | 5,873,558             | 5,884,316             | 5,766,551             | (117,765)  |
| Use of Money and Property   | 466,375               | 191,375               | 186,255               | (5,120)  |
| Fines and Forfeitures   | 619,000               | 649,000               | 687,733               | 38,733   |
| Other Revenue   | 2,586,290             | 2,642,591             | 2,735,757             | 93,166   |
| Total revenue   | <u>\$ 62,082,587</u>  | <u>\$ 59,744,024</u>  | <u>\$ 61,967,741</u>  | <u>\$ 2,223,717</u>                              |
| <b>Expenditures</b>   |                       |                       |                       |  |
| Current operations:   |                       |                       |                       |  |
| General government  | \$ 14,353,702         | \$ 14,637,589         | \$ 14,175,052         | \$ 462,537                                       |
| Community development   | 4,021,100             | 3,965,622             | 3,866,116             | 99,506   |
| Public safety   | 8,445,800             | 8,567,567             | 8,540,236             | 27,331   |
| Public works  | 6,380,350             | 7,401,446             | 7,107,065             | 294,381  |
| Recreation and parks  | 19,551,635            | 19,512,706            | 19,245,099            | 267,607  |
| Total expenditures  | <u>\$ 52,752,587</u>  | <u>\$ 54,084,930</u>  | <u>\$ 52,933,568</u>  | <u>\$ 1,151,362</u>                              |
| Excess of revenue over expenditures   | <u>\$ 9,330,000</u>   | <u>\$ 5,659,094</u>   | <u>\$ 9,034,173</u>   | <u>\$ 3,375,079</u>                              |
| <b>Other Financing Uses</b>   |                       |                       |                       |  |
| Transfer to Refuse Fund   | \$ (30,000)           | (30,000)              | (30,000)              | -  |
| Transfer to Capital Projects Fund   | (4,100,000)           | (2,378,000)           | (2,378,000)           | -  |
| Transfer to Parking Fund  | (1,200,000)           | (850,000)             | (850,000)             | -  |
| Transfer to Special Activities Fund   | -                     | (144,266)             | (144,266)             | -  |
| Transfer to Debt Service Fund   | (4,000,000)           | (4,000,000)           | (4,000,000)           | -  |
| Total other financing uses  | <u>\$ (9,330,000)</u> | <u>\$ (7,402,266)</u> | <u>\$ (7,402,266)</u> | <u>\$ -</u>                                      |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | -                     | (1,743,172)           | 1,631,907             | 3,375,079  |
| Adjustments to beginning balance  | 51,566                | 51,566                | 51,566                | -  |
| Fund balance at beginning of year, as previously reported   | 13,605,376            | 13,605,376            | 13,605,376            | -  |
| Fund balance at end of year   | <u>\$ 13,656,942</u>  | <u>\$ 11,913,770</u>  | <u>\$ 15,288,849</u>  | <u>\$ 3,375,079</u>                              |

**City of Rockville, Maryland**

Note to the Required Supplementary Information  
June 30, 2010

**Stewardship, Compliance, and Accountability****Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 1, the City Manager submits to the Mayor and Council a proposed operating and capital improvements budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are then conducted to review the budget.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- The budget ordinance becomes effective July 1 and provides spending authority for the operations of the City. The legal control which the budget ordinance establishes over spending is at the fund level. Each of the General, Non-Major Governmental, Debt Service and Enterprise Funds have legally adopted annual budgets appropriated at the fund level. The capital budget is adopted at the fund level but is not adopted as an annual budget.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Mayor and Council.
- Subsequent to passage of the budget ordinance, the Mayor and Council may approve supplemental appropriations. During FY 2010, such supplemental appropriations for all funds amounted to \$3,693,454.

At the end of the fiscal year, unexpended operating budget appropriations of the governmental and enterprise funds lapse. Budgets for the General, Non-Major Governmental, Debt Service, and Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, all governmental fund budgets are presented on the modified accrual basis of accounting; the enterprise fund budgets are adopted on the full accrual basis. The budgetary comparison schedules – original budget, amended budget and actual - General Fund compares actual expenditures on a basis consistent with the legally adopted budgets as amended.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is an extension of formal budgetary control in all governmental funds. The encumbrances outstanding at June 30, 2010 are reported as reservations of applicable fund balances and are subject to reappropriation by Council ordinance in the succeeding fiscal year.

## **Other Supplementary Information**

### **Major Governmental Funds**

#### **Debt Service Fund**

The Debt Service Fund accounts for payment of principal and interest on governmental activities for the City.

**and**

### **Nonmajor Governmental Funds**

#### **Special Revenue Funds**

Special Revenue Funds account for the proceeds of specific revenue sources to be expended for specified purposes. The City maintains four Special Revenue funds: the Community Development Block Grant, the Special Activities, the Town Center Management District and the Automated Speed Enforcement Funds. The Community Development Block Grant Fund accounts for federal grants for housing and community development programs. The Special Activities Fund accounts for funds raised for various community activities (i.e. Rockville Seniors Inc., mansion improvements, bike program, etc.). The Town Center Management District Fund accounts for two new taxing districts: the Town Square Street and Area Lighting District and the Town Square Commercial District that will support maintenance cost in the Town Center Management District. The Automated Speed Enforcement Fund accounts for funds received from the speed camera program that are restricted by State Law for public safety projects.





## City of Rockville, Maryland

Budgetary Comparison Schedule  
Debt Service Fund  
For the Fiscal Year Ended June 30, 2010

|   | Original<br>Budget    | Budget as Amended     | Actual                | Variance from<br>Amended Budget<br>Positive/(Negative) |
|---|-----------------------|-----------------------|-----------------------|--|
| <b>Revenue</b>  |                       |                       |                       |  |
| Assessments   | \$ 330,000            | \$ 330,000            | \$ 358,924            | \$ 28,924  |
| Use of money and property   | 32,000                | 32,000                | 2,231                 | (29,769)   |
| Other revenue   | -                     | -                     | -                     | -  |
| Total Revenue   | <u>\$ 362,000</u>     | <u>\$ 362,000</u>     | <u>\$ 361,155</u>     | <u>\$ (845)</u>  |
| <b>Expenditures</b>   |                       |                       |                       |  |
| Principal repayments:   |                       |                       |                       |  |
| General obligation bonds  | \$ 3,464,031          | \$ 3,464,031          | \$ 3,464,030          | \$ 1   |
| Interest and issuance costs:  |                       |                       |                       |  |
| General obligation bonds  | 1,578,977             | 1,578,977             | 1,568,036             | 10,941   |
| Other   | 55,000                | 55,000                | 4,042                 | 50,958   |
| Total expenditures  | <u>\$ 5,098,008</u>   | <u>\$ 5,098,008</u>   | <u>\$ 5,036,108</u>   | <u>\$ 61,900</u>                                       |
| Excess of revenue over expenditures   | <u>\$ (4,736,008)</u> | <u>\$ (4,736,008)</u> | <u>\$ (4,674,953)</u> | <u>\$ 61,055</u>                                       |
| <b>Other Financing Sources</b>  |                       |                       |                       |  |
| Transfer in from General Fund   | 4,000,000             | 4,000,000             | 4,000,000             | -  |
| Total Financing Sources   | <u>\$ 4,000,000</u>   | <u>\$ 4,000,000</u>   | <u>\$ 4,000,000</u>   | <u>\$ -</u>  |
| Excess (deficiency) of revenue and<br>other financing sources over expenditures<br>and other financing uses | \$ (736,008)          | \$ (736,008)          | \$ (674,953)          | \$ 61,055  |
| Fund balance at beginning of year   | 2,526,251             | 2,526,251             | 3,151,784             | 625,533  |
| Fund balance at end of year   | <u>\$ 1,790,243</u>   | <u>\$ 1,790,243</u>   | <u>\$ 2,476,831</u>   | <u>\$ 686,588</u>                                      |

## City of Rockville, Maryland

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

|  | Special Revenue               |  |  |   |  |
|--|-------------------------------|--|--|---|--|
|  | Special<br>Activities<br>Fund | Community<br>Development<br>Block Grant<br>Fund (CDBG) | Town Center<br>Management<br>District Fund | Automated<br>Speed<br>Enforcement<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
| <b>Assets</b>                              |                               |  |  |   |  |
| Equity in pooled cash and cash equivalents | \$ 4,220,717                  | \$ -   | \$ -                                       | \$ 2,894,037                              | \$ 7,114,754                               |
| Due from other governments                 | 118,242                       | 128,813  | 575  | -   | 247,630                                    |
| Other assets                               | 248                           | -  | 2  | 884,523                                   | 884,773                                    |
| Total assets                               | <u>\$ 4,339,207</u>           | <u>\$ 128,813</u>                                      | <u>\$ 577</u>                              | <u>\$ 3,778,560</u>                       | <u>\$ 8,247,157</u>                        |
| <b>Liabilities and Fund Balance</b>        |                               |  |  |   |  |
| <b>Liabilities:</b>                        |                               |  |  |   |  |
| Accounts payable                           | \$ 19,873                     | \$ -   | \$ 91,265                                  | \$ 216,340                                | \$ 327,478                                 |
| Interfund payable                          | -                             | 122,248  | 93,403                                     | -   | 215,651                                    |
| Other                                      | 358                           | 264  | 181  | 25,765                                    | 26,568                                     |
| Total liabilities                          | <u>\$ 20,231</u>              | <u>\$ 122,512</u>                                      | <u>\$ 184,849</u>                          | <u>\$ 242,105</u>                         | <u>\$ 569,697</u>                          |
| <b>Fund Balance:</b>                       |                               |  |  |   |  |
| Unreserved, designated                     | -                             | -  | -  | 3,536,455                                 | 3,536,455                                  |
| Unreserved, undesignated                   | 4,318,976                     | 6,301  | (184,272)                                  | -   | 4,141,005                                  |
| Total fund balance                         | <u>\$ 4,318,976</u>           | <u>\$ 6,301</u>  | <u>\$ (184,272)</u>                        | <u>\$ 3,536,455</u>                       | <u>\$ 7,677,460</u>                        |
| Total liabilities and fund balance         | <u>\$ 4,339,207</u>           | <u>\$ 128,813</u>                                      | <u>\$ 577</u>                              | <u>\$ 3,778,560</u>                       | <u>\$ 8,247,157</u>                        |

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2010

|  | Special Revenue               |  |  |   |  |
|--|-------------------------------|--|--|---|--|
|  | Special<br>Activities<br>Fund | Community<br>Development<br>Block Grant<br>Fund (CDBG) | Town Center<br>Management<br>District Fund | Automated<br>Speed<br>Enforcement<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
| <b>Revenue</b>   |                               |  |  |   |  |
| Grant revenue  | \$ -                          | \$ 336,574   | \$ -                                       | \$ -                                      | \$ 336,574                                 |
| Use of money and property                                    | 2,315                         | -  | -  | 2,040                                     | 4,355                                      |
| Other  | 773,471                       | 6,301  | 780,755                                    | 1,961,035                                 | 3,521,562                                  |
| Total Revenue  | <u>\$ 775,786</u>             | <u>\$ 342,875</u>                                      | <u>\$ 780,755</u>                          | <u>\$ 1,963,075</u>                       | <u>\$ 3,862,491</u>                        |
| <b>Expenditures</b>  |                               |  |  |   |  |
| Community development block grant                            | \$ -                          | \$ 336,574   | \$ -                                       | \$ -                                      | \$ 336,574                                 |
| Community development  | -                             | -  | -  | -   | -  |
| Public safety  | 141,620                       | -  | -  | 2,317,057                                 | 2,458,677                                  |
| Recreation and parks   | 295,442                       | -  | 773,515                                    | -   | 1,068,957                                  |
| Total expenditures   | <u>\$ 437,062</u>             | <u>\$ 336,574</u>                                      | <u>\$ 773,515</u>                          | <u>\$ 2,317,057</u>                       | <u>\$ 3,864,208</u>                        |
| Excess of revenue over expenditures                          | <u>\$ 338,724</u>             | <u>\$ 6,301</u>  | <u>\$ 7,240</u>                            | <u>\$ (353,982)</u>                       | <u>\$ (1,717)</u>                          |
| <b>Other Financing Sources</b>                               |                               |  |  |   |  |
| Transfer in from General Fund                                | 144,266                       | -  | -  | -   | 144,266                                    |
| Total Financing Sources                                      | <u>\$ 144,266</u>             | <u>\$ -</u>  | <u>\$ -</u>                                | <u>\$ -</u>                               | <u>\$ 144,266</u>                          |
| Net change in fund balance                                   | 482,990                       | 6,301  | 7,240                                      | (353,982)                                 | 142,549                                    |
| Adjustment to beginning balance                              | (1,358,089)                   | -  | -  | (36,383)                                  | (1,394,472)                                |
| Fund balance at beginning of year,<br>as previously reported | 5,194,075                     | -  | (191,512)                                  | 3,926,820                                 | 8,929,383                                  |
| Fund balance at end of year                                  | <u>\$ 4,318,976</u>           | <u>\$ 6,301</u>  | <u>\$ (184,272)</u>                        | <u>\$ 3,536,455</u>                       | <u>\$ 7,677,460</u>                        |

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

Budgetary Comparison Schedule  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2010

|   | Special<br>Activities Fund |                      |                     |  | Community Development<br>Block Grant Fund (CDBG) |                      |                   |  | Total               |                      |                     |  |
|---|----------------------------|----------------------|---------------------|--|--|----------------------|-------------------|--|---------------------|----------------------|---------------------|--|
|   | Original<br>Budget         | Budget as<br>Amended | Actual              | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) | Original<br>Budget                               | Budget as<br>Amended | Actual            | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) | Original<br>Budget  | Budget as<br>Amended | Actual              | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) |
| <b>Revenue</b>  |                            |                      |                     |  |  |                      |                   |  |                     |                      |                     |  |
| Grant revenue   | \$ -                       | \$ -                 | \$ -                | \$ -   | 608,000  | \$ 608,000           | 336,574           | \$ (271,426)   | \$ 608,000          | \$ 608,000           | \$ 336,574          | \$ (271,426)   |
| Use of money<br>and property                                    | 5,200                      | 5,200                | 2,315               | (2,885)  | -  | -                    | -                 | -  | 5,200               | 5,200                | 2,315               | (2,885)  |
| Other*  | 1,425,880                  | 875,640              | 917,737             | 42,097   | -  | -                    | 6,301             | 6,301  | 1,425,880           | 875,640              | 924,038             | 48,398   |
| Total Revenue   | <u>\$ 1,431,080</u>        | <u>\$ 880,840</u>    | <u>\$ 920,052</u>   | <u>\$ 39,212</u>   | <u>\$ 608,000</u>                                | <u>\$ 608,000</u>    | <u>\$ 342,875</u> | <u>\$ (265,125)</u>  | <u>\$ 2,039,080</u> | <u>\$ 1,488,840</u>  | <u>\$ 1,262,927</u> | <u>\$ (225,913)</u>  |
| <b>Expenditures</b>   |                            |                      |                     |  |  |                      |                   |  |                     |                      |                     |  |
| Community develop.<br>block grant                               | -                          | -                    | -                   | -  | 608,000  | 608,000              | 336,574           | 271,426  | 608,000             | 608,000              | 336,574             | 271,426  |
| Community services  | 1,431,080                  | 1,537,922            | 437,062             | 1,100,860  | -  | -                    | -                 | -  | 1,431,080           | 1,537,922            | 437,062             | 1,100,860  |
| Total expenditures  | <u>\$ 1,431,080</u>        | <u>\$ 1,537,922</u>  | <u>\$ 437,062</u>   | <u>\$ 1,100,860</u>  | <u>\$ 608,000</u>                                | <u>\$ 608,000</u>    | <u>\$ 336,574</u> | <u>\$ 271,426</u>  | <u>\$ 2,039,080</u> | <u>\$ 2,145,922</u>  | <u>\$ 773,636</u>   | <u>\$ 1,372,286</u>  |
| Excess of revenue<br>over expenditures                          | <u>\$ -</u>                | <u>\$ (657,082)</u>  | <u>\$ 482,990</u>   | <u>\$ 1,140,072</u>  | <u>\$ -</u>                                      | <u>\$ -</u>          | <u>\$ 6,301</u>   | <u>\$ 6,301</u>  | <u>\$ -</u>         | <u>\$ (657,082)</u>  | <u>\$ 489,291</u>   | <u>\$ 1,146,373</u>  |
| Adjustment to<br>beginning balance                              | -                          | -                    | (1,358,089)         | (1,358,089)  | -  | -                    | -                 | -  | -                   | -                    | (1,358,089)         | (1,358,089)  |
| Fund balance<br>at beginning of year, as<br>previously reported | <u>840,337</u>             | <u>840,337</u>       | <u>5,194,075</u>    | <u>4,353,738</u>   | <u>-</u>   | <u>-</u>             | <u>-</u>          | <u>-</u>   | <u>840,337</u>      | <u>840,337</u>       | <u>5,194,075</u>    | <u>4,353,738</u>   |
| Fund balance<br>at end of year                                  | <u>\$ 840,337</u>          | <u>\$ 183,255</u>    | <u>\$ 4,318,976</u> | <u>\$ 4,135,721</u>  | <u>\$ -</u>                                      | <u>\$ -</u>          | <u>\$ 6,301</u>   | <u>\$ 6,301</u>  | <u>\$ 840,337</u>   | <u>\$ 183,255</u>    | <u>\$ 4,325,277</u> | <u>\$ 4,142,022</u>  |

\*Note: Other revenue for the Special Activities Fund includes a transfer of \$144,266 from the General Fund.

## City of Rockville, Maryland

Budgetary Comparison Schedule  
Nonmajor Governmental Funds (con't)  
For the Year Ended June 30, 2010

|   | Town Center<br>Mgmt District Fund |                      |                     |  | Automated Speed<br>Enforcement Fund |                      |                     |   | Total               |                      |                     |  |
|---|-----------------------------------|----------------------|---------------------|--|-------------------------------------|----------------------|---------------------|---|---------------------|----------------------|---------------------|--|
|   | Original<br>Budget                | Budget as<br>Amended | Actual              | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) | Original<br>Budget                  | Budget as<br>Amended | Actual              | Variance from<br>Amended<br>Budget<br>Positive/<br>(Negative) | Original<br>Budget  | Budget as<br>Amended | Actual              | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) |
| <b>Revenue</b>  |                                   |                      |                     |  |                                     |                      |                     |   |                     |                      |                     |  |
| Grant revenue   | \$ -                              | \$ -                 | \$ -                | \$ -   | \$ -                                | \$ -                 | \$ -                | \$ -  | \$ -                | \$ -                 | \$ -                | \$ -   |
| Use of money<br>and property                                  | -                                 | -                    | -                   | -  | 50,000                              | 2,500                | 2,040               | (460)   | 50,000              | 2,500                | 2,040               | (460)  |
| Other   | 719,600                           | 719,600              | 780,755             | 61,155   | 4,080,000                           | 1,319,890            | 1,961,035           | 641,145   | 4,799,600           | 2,039,490            | 2,741,790           | 702,300  |
| Total Revenue   | <u>\$ 719,600</u>                 | <u>\$ 719,600</u>    | <u>\$ 780,755</u>   | <u>\$ 61,155</u>   | <u>\$ 4,130,000</u>                 | <u>\$ 1,322,390</u>  | <u>\$ 1,963,075</u> | <u>\$ 640,685</u>   | <u>\$ 4,849,600</u> | <u>\$ 2,041,990</u>  | <u>\$ 2,743,830</u> | <u>\$ 701,840</u>  |
| <b>Expenditures</b>   |                                   |                      |                     |  |                                     |                      |                     |   |                     |                      |                     |  |
| Community develop.<br>block grant                             | -                                 | -                    | -                   | -  | -                                   | -                    | -                   | -   | -                   | -                    | -                   | -  |
| Community services  | 669,600                           | 827,731              | 773,515             | 54,216   | 2,147,315                           | 1,075,824            | 2,317,057           | (1,241,233)   | 2,816,915           | 1,903,555            | 3,090,572           | (1,187,017)  |
| Total expenditures  | <u>\$ 669,600</u>                 | <u>\$ 827,731</u>    | <u>\$ 773,515</u>   | <u>\$ 54,216</u>   | <u>\$ 2,147,315</u>                 | <u>\$ 1,075,824</u>  | <u>\$ 2,317,057</u> | <u>\$ (1,241,233)</u>   | <u>\$ 2,816,915</u> | <u>\$ 1,903,555</u>  | <u>\$ 3,090,572</u> | <u>\$ (1,187,017)</u>  |
| Excess of revenue<br>over expenditures                        | <u>\$ 50,000</u>                  | <u>\$ (108,131)</u>  | <u>\$ 7,240</u>     | <u>\$ 115,371</u>  | <u>\$ 1,982,685</u>                 | <u>\$ 246,566</u>    | <u>\$ (353,982)</u> | <u>\$ (600,548)</u>   | <u>\$ 2,032,685</u> | <u>\$ 138,435</u>    | <u>\$ (346,742)</u> | <u>\$ (485,177)</u>  |
| Adjustment to<br>beginning balance                            | -                                 | -                    | -                   | -  | -                                   | -                    | (36,383)            | (36,383)  | -                   | -                    | (36,383)            | (36,383)   |
| Fund balance<br>at beginning of year,<br>as previously stated | <u>(454,665)</u>                  | <u>(185,897)</u>     | <u>(191,512)</u>    | <u>(5,615)</u>   | <u>4,923,696</u>                    | <u>4,208,543</u>     | <u>3,926,820</u>    | <u>(281,723)</u>  | <u>4,469,031</u>    | <u>4,022,646</u>     | <u>3,735,308</u>    | <u>(287,338)</u>   |
| Fund balance<br>at end of year                                | <u>\$ (404,665)</u>               | <u>\$ (294,028)</u>  | <u>\$ (184,272)</u> | <u>\$ 109,756</u>  | <u>\$ 6,906,381</u>                 | <u>\$ 4,455,109</u>  | <u>\$ 3,536,455</u> | <u>\$ (918,654)</u>   | <u>\$ 6,501,716</u> | <u>\$ 4,161,081</u>  | <u>\$ 3,352,183</u> | <u>\$ (808,898)</u>  |

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# **Other Supplementary Information**

## **Proprietary Funds**

### **Enterprise Funds**

Budgetary comparison schedule for the Water, Sewer, Refuse, Parking, Stormwater Management and Redgate Golf Course.





## City of Rockville, Maryland

## Budgetary Comparison Schedule

## Enterprise Funds

For the Year Ended June 30, 2010

|   | Water<br>Facility Fund |                      |              |  | Sanitary<br>Sewer Fund |                      |              |  | Refuse Fund        |                      |              |  |
|---|------------------------|----------------------|--------------|--|------------------------|----------------------|--------------|--|--------------------|----------------------|--------------|--|
|   | Original<br>Budget     | Budget as<br>Amended | Actual       | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) | Original<br>Budget     | Budget as<br>Amended | Actual       | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) | Original<br>Budget | Budget as<br>Amended | Actual       | Variance<br>from<br>Amended<br>Budget<br>Positive/<br>(Negative) |
| Total revenue   | \$ 7,629,800           | \$ 7,589,800         | \$ 7,080,662 | \$ (509,138)   | \$ 6,697,000           | \$ 6,657,000         | \$ 6,398,050 | \$ (258,950)   | \$ 5,443,300       | \$ 5,443,300         | \$ 5,530,345 | \$ 87,045  |
| Total operating<br>expenses   | 5,465,690              | 5,685,086            | 5,514,450    | 170,636  | 5,107,380              | 5,421,310            | 4,791,580    | 629,730  | 5,159,915          | 4,905,574            | 4,617,157    | 288,417  |
| Operating income<br>(loss) before<br>depreciation and<br>amortization | \$ 2,164,110           | \$ 1,904,714         | \$ 1,566,212 | \$ (338,502)   | \$ 1,589,620           | \$ 1,235,690         | \$ 1,606,470 | \$ 370,780   | \$ 283,385         | \$ 537,726           | \$ 913,188   | \$ 375,462   |
| Depreciation and<br>amortization                                      | (1,305,000)            | (1,308,470)          | (1,063,421)  | 245,049  | (905,000)              | (905,718)            | (898,663)    | 7,055  | (176,500)          | (305,554)            | (302,278)    | 3,276  |
| Operating income<br>(loss)  | \$ 859,110             | \$ 596,244           | \$ 502,791   | \$ (93,453)  | \$ 684,620             | \$ 329,972           | \$ 707,807   | \$ 377,835   | \$ 106,885         | \$ 232,172           | \$ 610,910   | \$ 378,738   |
| <u>Non-Operating Income (Expenses)</u>                                |                        |                      |              |  |                        |                      |              |  |                    |                      |              |  |
| Interest income   | 38,000                 | 8,000                | 4,048        | (3,952)  | 50,000                 | 2,000                | 2,002        | 2  | 20,000             | 2,500                | 1,823        | (677)  |
| Interest expense  | (808,400)              | (800,751)            | (800,750)    | 1  | (693,800)              | (686,137)            | (686,137)    | -  | (116,600)          | (116,600)            | (115,315)    | 1,285  |
| Total non-operating<br>income<br>(expense)                            | \$ (770,400)           | \$ (792,751)         | \$ (796,702) | \$ (3,951)   | \$ (643,800)           | \$ (684,137)         | \$ (684,135) | \$ 2   | \$ (96,600)        | \$ (114,100)         | \$ (113,492) | \$ 608   |
| Income (loss) before<br>operating<br>transfers                        | \$ 88,710              | \$ (196,507)         | \$ (293,911) | \$ (97,404)  | \$ 40,820              | \$ (354,165)         | \$ 23,672    | \$ 377,837   | \$ 10,285          | \$ 118,072           | \$ 497,418   | \$ 379,346   |
| Transfer in from<br>General Fund                                      | -                      | -                    | -            | -  | -                      | -                    | -            | -  | 30,000             | 30,000               | 30,000       | -  |
| Net increase<br>(decrease)<br>in net assets                           | \$ 88,710              | \$ (196,507)         | \$ (293,911) | \$ (97,404)  | \$ 40,820              | \$ (354,165)         | \$ 23,672    | \$ 377,837   | \$ 40,285          | \$ 148,072           | \$ 527,418   | \$ 379,346   |

## City of Rockville, Maryland

Budgetary Comparison Schedule  
 Enterprise Funds (con't)  
 For the Year Ended June 30, 2010

|  | Parking Fund    |                   |               |   | Stormwater Management Fund |                   |              |   | Redgate Golf Course Fund |                   |              |   |
|--|-----------------|-------------------|---------------|---|----------------------------|-------------------|--------------|---|--------------------------|-------------------|--------------|---|
|  | Original Budget | Budget as Amended | Actual        | Variance from Amended Budget Positive/ (Negative) | Original Budget            | Budget as Amended | Actual       | Variance from Amended Budget Positive/ (Negative) | Original Budget          | Budget as Amended | Actual       | Variance from Amended Budget Positive/ (Negative) |
| Total revenue  | \$ 2,197,000    | \$ 2,197,000      | \$ 2,223,307  | \$ 26,307   | \$ 2,020,000               | \$ 1,820,000      | \$ 1,927,928 | \$ 107,928  | \$ 1,219,173             | \$ 1,019,173      | \$ 961,412   | \$ (57,761)                                       |
| Total operating expenses                                     | 1,549,940       | 1,576,749         | 1,294,013     | 282,736   | 2,369,680                  | 2,557,828         | 2,279,645    | 278,183   | 1,507,740                | 1,470,300         | 1,377,229    | 93,071  |
| Operating income (loss) before depreciation and amortization | \$ 647,060      | \$ 620,251        | \$ 929,294    | \$ 309,043  | \$ (349,680)               | \$ (737,828)      | \$ (351,717) | \$ 386,111  | \$ (288,567)             | \$ (451,127)      | \$ (415,817) | \$ 35,310   |
| Depreciation and amortization                                | (706,500)       | (708,891)         | (687,013)     | 21,878  | (200,000)                  | (200,000)         | (187,562)    | 12,438  | (98,000)                 | (120,100)         | (119,177)    | 923   |
| Operating income (loss)                                      | \$ (59,440)     | \$ (88,640)       | \$ 242,281    | \$ 330,921  | \$ (549,680)               | \$ (937,828)      | \$ (539,279) | \$ 398,549  | \$ (386,567)             | \$ (571,227)      | \$ (534,994) | \$ 36,233   |
| <b>Non-Operating Income (Expenses)</b>                       |                 |                   |               |   |                            |                   |              |   |                          |                   |              |   |
| Interest income  | 40,000          | 5,000             | 2,752         | (2,248)   | 65,000                     | 7,000             | 3,786        | (3,214)   | -                        | -                 | -            | -   |
| Interest expense   | (1,413,100)     | (1,410,709)       | (1,409,821)   | 888   | -                          | (931)             | (170)        | 761   | (11,600)                 | (11,600)          | (11,335)     | 265   |
| Sale of capital assets                                       | -               | -                 | -             | -   | -                          | -                 | -            | -   | -                        | -                 | -            | -   |
| Total non-operating income (expense)                         | \$(1,373,100)   | \$(1,405,709)     | \$(1,407,069) | \$(1,360)   | \$ 65,000                  | \$ 6,069          | \$ 3,616     | \$ (2,453)  | \$ (11,600)              | \$ (11,600)       | \$ (11,335)  | \$ 265  |
| Income (loss) before operating transfers                     | \$ (1,432,540)  | \$ (1,494,349)    | \$(1,164,788) | \$ 329,561  | \$ (484,680)               | \$ (931,759)      | \$ (535,663) | \$ 396,096  | \$ (398,167)             | \$ (582,827)      | \$ (546,329) | \$ 36,498   |
| Transfer in from General Fund                                | 1,200,000       | 850,000           | 850,000       | -   | -                          | -                 | -            | -   | -                        | -                 | -            | -   |
| Net increase (decrease) in net assets                        | \$ (232,540)    | \$ (644,349)      | \$ (314,788)  | \$ 329,561  | \$ (484,680)               | \$ (931,759)      | \$ (535,663) | \$ 396,096  | \$ (398,167)             | \$ (582,827)      | \$ (546,329) | \$ 36,498   |

## STATISTICAL SECTION

The Statistical Section presents detailed information for the City in the following areas, as a context for understanding what the information in the Financial Section says about the City's overall financial health:

**FINANCIAL TRENDS** - Information to help the reader understand how the City's financial performance and well-being have changed over time.

**REVENUE CAPACITY** - Information to help the reader assess the City's most significant local revenue source, the property tax.

**DEBT CAPACITY** - Information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**DEMOGRAPHIC AND ECONOMIC INFORMATION** - Indicators to help the reader understand how the environment within which the City's financial activities take place.

**OPERATING INFORMATION** - Service and infrastructure data to help the reader understand how the information in the City's Financial report relates to the services the City provides and the activities it performs.

Many of the tables cover more than two fiscal years and present data from outside accounting records. Therefore, the Statistical Section is unaudited.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; Schedules presenting government-wide information include information beginning in 2003.



## City of Rockville, Maryland

Financial Trends Information (unaudited)  
 Net Assets by Category Government Wide, (Governmental and Business-type Activities) - Last Eight Fiscal Years  
 (accrual basis of accounting)

|   | Fiscal Year          |                      |                       |                       |                       |                       |                       |                       |
|---|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2003                 | 2004                 | 2005                  | 2006                  | 2007                  | 2008                  | 2009                  | 2010                  |
| <b>Governmental Activities</b>                  |                      |                      |                       |                       |                       |                       |                       |                       |
| Invested in Capital Assets, Net of Related Debt | \$ 14,142,832        | \$ 25,074,886        | \$ 33,333,209         | \$ 122,262,306        | \$ 162,449,524        | \$ 173,891,073        | \$ 190,671,208        | \$ 201,226,769        |
| Restricted for capital projects                 | -                    | 1,800,000            | -                     | -                     | -                     | -                     | -                     | -                     |
| Unrestricted                                    | 15,277,069           | 7,806,848            | 23,945,011            | 21,073,192            | 30,905,551            | 39,283,820            | 36,934,536            | 37,234,882            |
| Total Governmental Activities Net Assets        | <u>\$ 29,419,901</u> | <u>\$ 34,681,734</u> | <u>\$ 57,278,220</u>  | <u>\$ 143,335,498</u> | <u>\$ 193,355,075</u> | <u>\$ 213,174,893</u> | <u>\$ 227,605,744</u> | <u>\$ 238,461,651</u> |
| <b>Business-Type Activities</b>                 |                      |                      |                       |                       |                       |                       |                       |                       |
| Invested in Capital Assets, Net of Related Debt | \$ 34,270,960        | \$ 44,096,729        | \$ 48,085,580         | \$ 21,845,283         | \$ 39,795,777         | \$ 37,817,818         | \$ 38,831,178         | \$ 52,250,740         |
| Unrestricted                                    | 23,317,986           | 12,942,474           | 9,806,139             | 44,092,837            | 18,652,926            | 20,457,767            | 17,359,925            | 2,800,762             |
| Total Business-Type Activities Net Assets       | <u>\$ 57,588,946</u> | <u>\$ 57,039,203</u> | <u>\$ 57,891,719</u>  | <u>\$ 65,938,120</u>  | <u>\$ 58,448,703</u>  | <u>\$ 58,275,585</u>  | <u>\$ 56,191,103</u>  | <u>\$ 55,051,502</u>  |
| <b>Primary Government</b>                       |                      |                      |                       |                       |                       |                       |                       |                       |
| Invested in Capital Assets, Net of Related Debt | \$ 48,413,792        | \$ 69,171,615        | \$ 81,418,789         | \$ 144,107,589        | \$ 202,245,301        | \$ 211,708,891        | \$ 229,502,386        | \$ 253,477,509        |
| Restricted for capital projects                 | -                    | 1,800,000            | -                     | -                     | -                     | -                     | -                     | -                     |
| Unrestricted                                    | 38,595,055           | 20,749,322           | 33,751,150            | 65,166,029            | 49,558,477            | 59,741,587            | 54,294,461            | 40,035,644            |
| Total Primary Government Net Assets             | <u>\$ 87,008,847</u> | <u>\$ 91,720,937</u> | <u>\$ 115,169,939</u> | <u>\$ 209,273,618</u> | <u>\$ 251,803,778</u> | <u>\$ 271,450,478</u> | <u>\$ 283,796,847</u> | <u>\$ 293,513,153</u> |

## Notes:

- The City implemented GASB 34 in fiscal year 2003, therefore, only eight years of government-wide financial data are presented.
- In FY 07, the Community Services Department was combined with the Recreation and Parks Department.

## City of Rockville, Maryland

## Financial Trends Information (unaudited)

Changes in Net Assets by Category, Government Wide, (Governmental and Business-type Activities) - Last Eight Fiscal Years  
(accrual basis of accounting)

|   | Fiscal Year   |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          |
| <b>Expenses</b>                                 |               |               |               |               |               |               |               |               |
| Governmental activities:                        |               |               |               |               |               |               |               |               |
| General government                              | \$ 8,918,307  | \$ 8,621,681  | \$ 9,181,896  | \$ 10,182,325 | \$ 11,183,434 | \$ 12,221,181 | 14,068,981    | \$ 14,479,318 |
| Community development block grant               | 401,357       | 412,712       | 357,432       | 294,481       | 274,773       | 336,001       | 292,500       | 336,574       |
| Community development                           | 1,471,759     | 1,534,045     | 1,607,760     | 3,565,924     | 3,819,641     | 5,009,654     | 5,592,503     | 3,817,837     |
| Community services                              | 1,268,156     | 1,319,078     | 1,200,217     | 1,036,754     | -             | -             | -             | -             |
| Public Safety                                   | 7,298,573     | 7,933,531     | 8,130,281     | 6,989,835     | 7,642,022     | 9,276,061     | 9,537,975     | 10,718,613    |
| Public Works                                    | 5,567,832     | 6,002,839     | 5,743,222     | 5,596,654     | 6,540,061     | 6,618,979     | 7,013,916     | 8,249,148     |
| Recreation and parks                            | 14,875,969    | 14,347,079    | 14,174,780    | 14,335,067    | 17,685,035    | 18,757,428    | 20,106,554    | 21,100,499    |
| Non-departmental                                | 1,841,600     | 2,259,160     | 3,102,804     | 2,884,558     | -             | -             | -             | -             |
| Interest on long-term debt                      | 761,419       | 804,164       | 1,546,093     | 1,708,598     | 1,576,441     | 1,695,792     | 1,696,785     | 1,568,037     |
| Total governmental activities expenses          | 42,404,972    | 43,234,289    | 45,044,485    | 46,594,196    | 48,721,407    | 53,915,096    | 58,309,214    | 60,270,026    |
| Business-type activities:                       |               |               |               |               |               |               |               |               |
| Water   | 4,296,885     | 4,410,814     | 4,333,962     | 5,412,906     | 5,393,739     | \$ 6,313,155  | 6,277,841     | 7,033,399     |
| Sewer   | 4,299,970     | 4,435,977     | 4,214,334     | 4,844,716     | 4,871,708     | 5,830,893     | 5,978,046     | 5,938,443     |
| Refuse  | 4,024,746     | 4,177,891     | 4,222,021     | 4,315,562     | 4,657,308     | 4,737,333     | 5,367,619     | 5,389,135     |
| Parking   | -             | 114,945       | 312,212       | 494,594       | 8,937,779     | 805,656       | 2,436,440     | 2,068,626     |
| Stormwater management                           | 623,958       | 747,521       | 1,622,590     | 1,952,276     | 2,673,487     | 1,185,276     | 1,871,839     | 2,625,807     |
| Golf course                                     | 1,259,282     | 1,128,753     | 1,074,327     | 1,019,370     | 1,279,976     | 1,369,863     | 1,496,244     | 1,594,306     |
| Total business-type activities expenses         | 14,504,841    | 15,015,901    | 15,779,446    | 18,039,424    | 27,813,997    | 20,242,176    | 23,428,029    | 24,649,716    |
| Total primary government expenses               | \$ 56,909,813 | \$ 58,250,190 | \$ 60,823,931 | \$ 64,633,620 | \$ 76,535,404 | \$ 74,157,272 | \$ 81,737,243 | \$ 84,919,742 |
| <b>Program Revenues</b>                         |               |               |               |               |               |               |               |               |
| Governmental activities:                        |               |               |               |               |               |               |               |               |
| Charges for services:                           |               |               |               |               |               |               |               |               |
| General government                              | \$ 265,752    | \$ 498,049    | \$ 777,636    | \$ 679,403    | \$ 242,581    | \$ 678,759    | 670,262       | \$ 726,112    |
| Community development                           | 2,547,481     | 1,579,469     | 1,650,981     | 1,543,426     | 2,626,016     | 1,651,562     | 1,237,549     | 1,015,376     |
| Community services                              | 275,276       | 354,679       | 306,176       | 38,092        | -             | -             | -             | -             |
| Public Safety                                   | 67,151        | 74,814        | 109,358       | 629,162       | 963,513       | 5,247,732     | 3,980,102     | 3,569,717     |
| Public Works                                    | 296,597       | 578,549       | 274,988       | 540,524       | 253,014       | 319,425       | 800,038       | 492,619       |
| Recreation and parks                            | 4,250,600     | 4,240,368     | 4,279,807     | 5,087,899     | 4,420,486     | 4,943,264     | 5,040,493     | 5,469,890     |
| Non-departmental                                | 196,904       | 218,428       | -             | 217,125       | -             | -             | -             | -             |
| Interest on long-term debt                      | -             | 83,975        | 97,226        | 143,851       | 50,062        | 90,139        | -             | -             |
| Operating grants and contributions              | 1,535,694     | 1,552,619     | 1,522,497     | 1,212,180     | 1,345,507     | 2,129,989     | 2,169,862     | 1,951,177     |
| Capital grants and contributions                | 3,429,666     | 3,101,162     | 5,587,548     | 4,541,337     | 27,433,272    | 5,958,450     | 4,349,929     | 5,200,111     |
| Total governmental activities program revenues  | 12,865,121    | 12,282,112    | 14,606,217    | 14,632,999    | 37,334,451    | 21,019,320    | 18,248,235    | 18,425,002    |
| Business type activities:                       |               |               |               |               |               |               |               |               |
| Water   | 4,312,310     | 3,695,205     | 3,823,733     | 3,955,830     | 5,185,774     | \$ 5,217,205  | 5,757,485     | 7,080,662     |
| Sewer   | 5,789,796     | 5,300,119     | 5,424,798     | 5,473,314     | 6,204,915     | 5,772,419     | 6,226,055     | 6,398,050     |
| Refuse  | 3,650,023     | 4,165,770     | 4,552,581     | 4,884,469     | 5,128,169     | 5,403,071     | 5,565,864     | 5,560,345     |
| Parking   | -             | 511,154       | 581,869       | 607,752       | 1,732,712     | 1,732,455     | 3,139,895     | 3,073,307     |
| Stormwater management                           | 867,323       | 747,894       | 1,121,963     | 1,357,430     | 742,847       | 561,730       | 704,938       | 1,927,928     |
| Golf course                                     | 1,395,529     | 1,151,069     | 1,102,123     | 1,083,059     | 1,147,648     | 1,170,655     | 1,169,150     | 961,412       |
| Operating grants and contributions              | -             | -             | -             | -             | -             | -             | -             | -             |
| Capital grants and contributions                | -             | -             | 1,000,000     | -             | -             | -             | -             | -             |
| Total business-type activities program revenues | 16,014,981    | 15,571,211    | 17,607,067    | 17,361,854    | 20,142,065    | 19,857,535    | 22,563,387    | 25,001,704    |
| Total primary government revenues               | \$ 28,880,102 | \$ 27,853,323 | \$ 32,213,384 | \$ 31,994,853 | \$ 57,476,516 | \$ 40,876,855 | \$ 40,811,622 | \$ 43,426,706 |

## City of Rockville, Maryland

Financial Trends Information (unaudited)  
 Changes in Net Assets by Category, Government Wide, (Governmental and Business-type Activities) - Last Eight Fiscal Years (continued)  
 (accrual basis of accounting)

|   | Fiscal Year            |                        |                        |                        |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2003                   | 2004                   | 2005                   | 2006                   | 2007                   | 2008                   | 2009                   | 2010                   |
| <b>Net (Expense)/Revenue</b>                            |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                 | \$ (29,539,851)        | \$ (30,952,177)        | \$ (30,438,268)        | \$ (31,961,197)        | \$ (11,386,956)        | \$ (32,895,776)        | (40,060,979)           | \$ (41,845,024)        |
| Business-type activities                                | 1,510,140              | 555,310                | 1,827,621              | (677,570)              | (7,671,932)            | (384,641)              | (864,642)              | 351,988                |
| Total primary government net expense                    | <u>\$ (28,029,711)</u> | <u>\$ (30,396,867)</u> | <u>\$ (28,610,647)</u> | <u>\$ (32,638,767)</u> | <u>\$ (19,058,888)</u> | <u>\$ (33,280,417)</u> | <u>\$ (40,925,621)</u> | <u>\$ (41,493,036)</u> |
| <b>General Revenues and Other Changes in Net Assets</b> |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities:                                |                        |                        |                        |                        |                        |                        |                        |                        |
| Property taxes  | \$ 21,939,085          | \$ 22,963,744          | \$ 25,980,805          | \$ 28,253,720          | \$ 31,136,859          | \$ 32,089,556          | 35,498,520             | \$ 35,958,915          |
| Income taxes  | 6,281,463              | 7,019,649              | 7,874,409              | 9,035,343              | 9,816,933              | 10,622,311             | 10,438,811             | 10,306,947             |
| Gas and motor vehicle taxes                             | 2,564,114              | 1,991,434              | 2,497,974              | 3,097,689              | 3,264,162              | 3,052,324              | 2,666,415              | 325,985                |
| County tax duplications payment                         | 1,482,285              | 1,259,511              | 1,698,450              | 2,131,796              | 2,228,499              | 2,228,499              | 2,228,449              | 2,228,449              |
| Admissions and amusement taxes                          | 1,079,393              | 1,023,395              | 882,405                | 883,793                | 911,521                | 1,057,856              | 993,354                | 1,006,370              |
| Use of money and property                               | 175,598                | 163,345                | 362,566                | 1,577,137              | 1,443,093              | 1,749,732              | 443,807                | 33,038                 |
| Other Revenue   | 384,537                | 499,605                | 438,033                | 445,674                | 465,977                | 497,816                | 760,474                | 1,320,044              |
| Gain on sale of capital assets                          | -                      | -                      | 11,920,985             | -                      | -                      | -                      | -                      | -                      |
| Transfers   | 1,231,384              | 1,293,327              | 1,382,127              | 1,423,592              | 1,376,500              | 1,417,500              | 1,462,000              | 1,506,000              |
| Total governmental activities                           | <u>35,137,859</u>      | <u>36,214,010</u>      | <u>53,037,754</u>      | <u>46,848,744</u>      | <u>50,643,544</u>      | <u>52,715,594</u>      | <u>54,491,830</u>      | <u>52,685,748</u>      |
| Business-type activities:                               |                        |                        |                        |                        |                        |                        |                        |                        |
| Use of money and property                               | 178,343                | 188,274                | 305,584                | 1,463,990              | 1,741,055              | 1,013,915              | 242,160                | 14,411                 |
| Gain on sale of capital assets                          | -                      | -                      | 101,438                | 99,465                 | 46,231                 | 615,108                | -                      | -                      |
| Transfers   | (1,231,384)            | (1,293,327)            | (1,382,127)            | (1,423,592)            | (1,376,500)            | (1,417,500)            | (1,462,000)            | (1,506,000)            |
| Total business-type activities                          | <u>(1,053,041)</u>     | <u>(1,105,053)</u>     | <u>(975,105)</u>       | <u>139,863</u>         | <u>410,786</u>         | <u>211,523</u>         | <u>(1,219,840)</u>     | <u>(1,491,589)</u>     |
| Total primary government                                | <u>\$ 34,084,818</u>   | <u>\$ 35,108,957</u>   | <u>\$ 52,062,649</u>   | <u>\$ 46,988,607</u>   | <u>\$ 51,054,330</u>   | <u>\$ 52,927,117</u>   | <u>\$ 53,271,990</u>   | <u>\$ 51,194,159</u>   |
| <b>Changes in Net Assets</b>                            |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                 | 5,598,008              | 5,261,833              | 22,599,486             | 14,887,547             | 39,256,588             | \$ 19,819,818          | 14,430,851             | 10,840,724             |
| Business-type activities                                | 457,099                | (549,743)              | 852,516                | (537,707)              | (7,261,146)            | (173,118)              | (2,084,482)            | (1,139,601)            |
| Total primary government                                | <u>\$ 6,055,107</u>    | <u>\$ 4,712,090</u>    | <u>\$ 23,452,002</u>   | <u>\$ 14,349,840</u>   | <u>\$ 31,995,442</u>   | <u>\$ 19,646,700</u>   | <u>\$ 12,346,369</u>   | <u>\$ 9,701,123</u>    |

# City of Rockville, Maryland

Financial Trends Information (unaudited)  
Fund Balances, Governmental Funds, Last Eight Fiscal Years  
(modified accrual basis of accounting)

|  | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 |
| <b>General Fund</b>                            |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                                       | \$ 1,127,492         | \$ 985,414           | \$ 933,875           | \$ 868,548           | \$ 2,018,175         | \$ 2,331,456         | 1,609,972            | \$ 1,257,382         |
| Unreserved/Undesignated                        | 9,444,316            | 10,595,897           | 13,923,958           | 16,082,011           | 13,648,818           | 12,720,209           | 11,995,404           | 14,031,467           |
| Total General Fund                             | <u>\$ 10,571,808</u> | <u>\$ 11,581,311</u> | <u>\$ 14,857,833</u> | <u>\$ 16,950,559</u> | <u>\$ 15,666,993</u> | <u>\$ 15,051,665</u> | <u>\$ 13,605,376</u> | <u>\$ 15,288,849</u> |
| <br><b>All Other Governmental Funds</b>        |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                                       | \$ 4,835,518         | \$ 10,027,786        | \$ 24,713,202        | \$ 4,643,863         | \$ 15,902,123        | \$ 5,725,167         | 7,998,785            | \$ 3,050,726         |
| Unreserved/Designated in Special revenue funds |                      |                      |                      |                      |                      |                      |                      | 3,536,455            |
| Unreserved/Undesignated, reported in:          |                      |                      |                      |                      |                      |                      |                      |                      |
| Special revenue funds                          | 415,209              | 276,905              | 289,665              | 429,152              | 617,402              | 2,922,070            | 8,929,383            | 4,141,005            |
| Capital projects funds                         | 2,367,186            | (1,373,602)          | (17,887,390)         | -                    | -                    | 17,539,104           | 9,270,398            | 14,442,728           |
| Debt service funds                             | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Total all other governmental funds             | <u>\$ 7,617,913</u>  | <u>\$ 8,931,089</u>  | <u>\$ 7,115,477</u>  | <u>\$ 5,073,015</u>  | <u>\$ 16,519,525</u> | <u>\$ 26,186,341</u> | <u>\$ 26,198,566</u> | <u>\$ 25,170,914</u> |

## Notes:

- The City implemented GASB 34 in fiscal year 2003, therefore, only eight years of government-wide financial data are presented.
- In FY 07, the Community Services Department was combined with the Recreation and Parks Department.



## City of Rockville, Maryland

Financial Trends Information (unaudited)  
 Changes in Fund Balances, Governmental Funds, Last Eight Fiscal Years  
 (modified accrual basis of accounting)

|  | Fiscal Year    |                 |                 |                 |               |               |                |               |
|--|----------------|-----------------|-----------------|-----------------|---------------|---------------|----------------|---------------|
|  | 2003           | 2004            | 2005            | 2006            | 2007          | 2008          | 2009           | 2010          |
| <b>Revenues</b>  |                |                 |                 |                 |               |               |                |               |
| Property taxes   | \$ 21,496,983  | \$ 23,386,926   | \$ 26,229,753   | \$ 28,513,927   | \$ 31,192,975 | \$ 32,205,812 | 34,526,050     | \$ 35,454,838 |
| Assessments  | 433,831        | 367,247         | 360,495         | 330,053         | 350,005       | 334,456       | 442,429        | 358,924       |
| Revenue from other governments:                        |                |                 |                 |                 |               |               |                |               |
| Community development block grant                      | 401,357        | 412,712         | 357,432         | 294,481         | 336,001       | 336,001       | 292,500        | 336,574       |
| Income taxes   | 6,281,463      | 7,019,049       | 7,874,409       | 9,035,343       | 9,816,933     | 10,622,311    | 10,438,811     | 10,306,947    |
| Gas and motor vehicle taxes                            | 2,564,114      | 1,991,434       | 2,497,974       | 3,097,689       | 3,264,162     | 3,052,324     | 2,666,415      | 325,985       |
| County tax duplication payment                         | 1,482,285      | 1,259,511       | 1,698,450       | 2,131,796       | 2,228,499     | 2,228,499     | 2,228,449      | 2,228,449     |
| Admissions and amusement taxes                         | 1,079,393      | 1,023,395       | 882,405         | 883,793         | 911,521       | 1,057,856     | 993,354        | 1,006,370     |
| Grants and other governmental revenue                  | 4,511,086      | 1,992,244       | 3,392,122       | 6,643,871       | 12,045,633    | 5,665,712     | 5,824,380      | 5,071,157     |
| Licenses and permits                                   | 2,360,679      | 1,699,991       | 1,638,646       | 1,778,686       | 2,114,909     | 1,797,039     | 1,606,198      | 1,737,186     |
| Charges for services                                   | 4,745,633      | 6,951,909       | 4,262,498       | 4,586,595       | 4,652,890     | 4,859,899     | 5,473,187      | 5,766,551     |
| Use of money and property                              | 813,154        | 769,971         | 1,007,890       | 2,488,505       | 2,233,471     | 3,216,669     | 586,761        | 204,371       |
| Fines and forfeitures                                  | 157,787        | 285,253         | 811,771         | 799,486         | 877,137       | 634,907       | 648,478        | 687,733       |
| Other revenue  | 1,670,470      | 1,937,796       | 4,313,827       | 2,500,074       | 10,510,649    | 7,710,575     | 7,804,778      | 7,941,010     |
| Total revenues   | \$ 47,998,235  | \$ 49,097,438   | \$ 55,327,672   | \$ 63,084,299   | \$ 80,534,785 | \$ 73,722,060 | \$ 73,531,790  | \$ 71,426,095 |
| <b>Expenditures</b>                                    |                |                 |                 |                 |               |               |                |               |
| Current operations:                                    |                |                 |                 |                 |               |               |                |               |
| General government                                     | 8,182,608      | 8,185,223       | 8,180,536       | 9,356,447       | 10,884,461    | 11,564,249    | 14,009,636     | 14,175,052    |
| Community development block grant                      | 401,357        | 412,712         | 357,432         | 294,481         | 336,001       | 336,001       | 292,500        | 336,574       |
| Community development                                  | 1,412,115      | 1,628,277       | 1,579,939       | 3,526,755       | 3,760,087     | 4,995,433     | 3,827,609      | 3,866,116     |
| Community services                                     | 1,434,814      | 1,496,033       | 1,360,851       | 1,156,014       | -             | -             | -              | -             |
| Public safety  | 7,078,902      | 7,603,115       | 7,985,542       | 6,662,819       | 7,520,764     | 9,061,450     | 9,506,371      | 10,998,913    |
| Public works   | 5,160,692      | 5,232,331       | 5,315,785       | 5,253,643       | 5,862,318     | 6,206,579     | 6,088,239      | 7,107,065     |
| Recreation and parks                                   | 12,726,536     | 13,323,501      | 13,348,331      | 13,786,689      | 16,476,639    | 18,172,866    | 19,793,219     | 20,314,056    |
| Nondepartmental  | 1,926,597      | 2,311,980       | 2,598,367       | 2,884,558       | -             | -             | -              | -             |
| Capital outlay   | 9,747,004      | 26,821,896      | 31,495,042      | 16,699,499      | 27,157,608    | 16,678,175    | 15,210,290     | 8,071,573     |
| Debt service   |                |                 |                 |                 |               |               |                |               |
| Principal  | 2,026,136      | 2,696,026       | 3,126,988       | 16,528,272      | 4,105,428     | 4,554,082     | 3,467,152      | 3,464,030     |
| Interest   | 810,209        | 875,088         | 1,217,935       | 1,744,915       | 1,552,264     | 1,695,792     | 1,700,826      | 1,568,036     |
| Bond Counsel/Amortization                              | -              | -               | -               | -               | -             | 55,945        | -              | 4,042         |
| Total expenditures                                     | \$ 50,906,970  | \$ 70,586,182   | \$ 76,566,748   | \$ 77,894,092   | \$ 77,655,570 | \$ 73,320,572 | 73,895,842     | \$ 69,905,457 |
| Excess (deficiency) revenue over expenditures          | \$ (2,908,735) | \$ (21,488,744) | \$ (21,239,076) | \$ (14,809,793) | \$ 2,879,215  | \$ 401,488    | \$ (364,052)   | \$ 1,520,638  |
| <b>Other Financing Sources (Uses)</b>                  |                |                 |                 |                 |               |               |                |               |
| Transfers in   | 6,656,479      | 4,501,050       | 18,698,629      | 11,490,398      | 24,564,077    | 12,737,392    | 12,633,324     | 6,522,266     |
| Transfers out  | (6,693,271)    | (4,537,842)     | (18,735,421)    | (11,580,341)    | (17,280,348)  | (14,497,392)  | (13,706,324)   | (7,402,266)   |
| Proceeds from sale of capital assets                   | -              | -               | 22,144,778      | -               | -             | -             | -              | -             |
| General obligation bonds issued                        | 10,347,994     | 23,765,000      | -               | 14,950,000      | -             | 10,410,000    | -              | -             |
| Loan payable issued                                    | -              | -               | 592,000         | -               | -             | -             | -              | -             |
| Total other financing sources (uses)                   | \$ 10,311,202  | \$ 23,728,208   | \$ 22,699,986   | \$ 14,860,057   | \$ 7,283,729  | \$ 8,650,000  | \$ (1,073,000) | \$ (880,000)  |
| Net change in fund balances                            | \$ 7,402,467   | \$ 2,239,464    | \$ 1,460,910    | \$ 50,264       | \$ 10,162,944 | \$ 9,051,488  | \$ (1,437,052) | \$ 640,638    |
| Debt Service as percentage of non-capital expenditures | 6.89%          | 8.16%           | 9.64%           | 29.86%          | 11.20%        | 11.12%        | 8.81%          | 8.14%         |

# City of Rockville, Maryland

## Revenue Capacity Information (unaudited) Assessed and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years

| Fiscal<br>Year<br>Ended<br>June 30, | Real<br>Property | Personal<br>Property | Privately Owned<br>Public Utilities | Total Taxable<br>Assessed<br>Value | Total<br>Direct<br>Tax Rate | Estimated<br>Actual Taxable<br>Value | Total Assessed<br>Value to Estimated<br>Actual Value |
|-------------------------------------|------------------|----------------------|-------------------------------------|------------------------------------|-----------------------------|--------------------------------------|--|
| 2001                                | 1,952,589,315    | 327,180,110          | 104,083,470                         | 2,383,852,895                      | 0.805                       | 5,312,736,868                        | 44.87%   |
| 2002                                | 5,365,409,658    | 346,798,430          | 128,933,300                         | 5,841,141,388                      | 0.322                       | 5,841,141,388                        | 100.00%  |
| 2003                                | 5,921,959,542    | 358,574,751          | 112,825,340                         | 6,393,359,633                      | 0.322                       | 6,393,359,633                        | 100.00%  |
| 2004                                | 6,312,353,479    | 294,840,190          | 110,712,160                         | 6,717,905,829                      | 0.322                       | 6,717,905,829                        | 100.00%  |
| 2005                                | 7,193,741,551    | 286,635,530          | 115,241,520                         | 7,595,618,601                      | 0.322                       | 7,595,618,601                        | 100.00%  |
| 2006                                | 7,539,816,746    | 282,505,725          | 118,952,785                         | 7,941,275,256                      | 0.322                       | 7,941,275,256                        | 100.00%  |
| 2007                                | 9,008,163,075    | 266,743,524          | 121,600,205                         | 9,396,506,804                      | 0.312                       | 9,396,506,804                        | 100.00%  |
| 2008                                | 10,148,794,995   | 273,424,734          | 120,985,475                         | 10,543,205,204                     | 0.302                       | 10,543,205,204                       | 100.00%  |
| 2009                                | 11,117,285,215   | 278,555,431          | 119,652,489                         | 11,515,493,135                     | 0.292                       | 11,515,493,135                       | 100.00%  |
| 2010                                | 11,594,235,339   | 289,914,771          | 124,249,187                         | 12,008,399,297                     | 0.292                       | 12,008,399,297                       | 100.00%  |

### Note:

- As part of State Law, all real property will be assessed at 100 percent of value, rather than 40 percent for the tax year beginning July 1, 2001. For fiscal year ends June 30, 2002 to June 30, 2010, personal property is based on the Montgomery County confirmation FY 2010 (levy year 2009) Personal Property Assessment Report.

# City of Rockville, Maryland

## Revenue Capacity Information (unaudited) Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years

| Fiscal<br>Year | City            | Overlapping Rates    |                      |
|----------------|-----------------|----------------------|----------------------|
|                | Total<br>Direct | Montgomery<br>County | State of<br>Maryland |
| 2001           | 0.805           | 2.253                | 0.210                |
| 2002           | 0.805           | 0.901                | 0.210                |
| 2003           | 0.322           | 0.910                | 0.084                |
| 2004           | 0.322           | 0.914                | 0.132                |
| 2005           | 0.322           | 0.902                | 0.132                |
| 2006           | 0.322           | 0.856                | 0.132                |
| 2007           | 0.312           | 0.812                | 0.112                |
| 2008           | 0.302           | 0.812                | 0.112                |
| 2009           | 0.292           | 0.818                | 0.112                |
| 2010           | 0.292           | 0.826                | 0.112                |

## City of Rockville, Maryland

Revenue Capacity Information (unaudited)  
Principal Real Property Tax Payers, Current Year and Nine Years Ago

For the Fiscal Year Ended June 30, 2010

|                         | Assessable Base          |                       |                       | Ratio:<br>Taxpayer<br>Base to Total<br>Assessable Base |
|-------------------------|--------------------------|-----------------------|-----------------------|--|
|                         | Total                    | Real<br>Property      | Personal<br>Property  |  |
| Brandywine Research LLC | \$ 82,978,000            | \$ 82,978,000         | \$ -                  | 0.72%  |
| TA Western, LLC         | 73,781,800               | 73,781,800            | -                     | 0.64%  |
| PHF Rockville           | 65,000,000               | 65,000,000            | -                     | 0.56%  |
| Tower Dawson, LLC       | 62,976,800               | 62,976,800            | -                     | 0.54%  |
| Verizon                 | 61,107,600               | -                     | 61,107,600            | 0.53%  |
| PEPCO                   | 58,479,300               | -                     | 58,479,300            | 0.50%  |
| James Campbell Co., LLC | 55,335,400               | 55,335,400            | -                     | 0.48%  |
| FG Retail Group         | 50,530,500               | 50,530,500            | -                     | 0.44%  |
| Four Irvington Center   | 51,437,300               | 51,437,300            | -                     | 0.44%  |
| Transwestern Gateway    | 42,415,700               | 42,415,700            | -                     | 0.37%  |
| Total                   | <u>\$ 604,042,400</u>    | <u>\$ 484,455,500</u> | <u>\$ 119,586,900</u> | <u>0.00%</u>   |
| Total Assessable Value  | <u>\$ 11,594,235,339</u> |                       |                       | <u>100.00%</u>   |

Note:

- Amounts for Principal Real Property Tax Payers is as of June 30, 2009, as updated values were not available for FY2010 disclosure.  
Total Assessable Value has been updated for FY2010.

For the Fiscal Year Ended June 30, 2001

|                                   | Assessable Base         |                       |                      | Ratio:<br>Taxpayer<br>Base to Total<br>Assessable Base |
|-----------------------------------|-------------------------|-----------------------|----------------------|--|
|                                   | Total                   | Real<br>Property      | Personal<br>Property |  |
| Potomac Electric Power            | \$ 39,617,200           | \$ -                  | \$ 39,617,200        | 1.66%  |
| Bell Atlantic                     | 34,903,210              | -                     | 34,903,210           | 1.46%  |
| King Farm LLC                     | 27,003,217              | 27,003,217            | -                    | 1.13%  |
| Prentis Property Research         | 25,611,266              | 25,611,266            | -                    | 1.07%  |
| Congressional Plaza Associates    | 24,411,266              | 24,411,266            | -                    | 1.02%  |
| Realty Associates Fund III LLP    | 23,043,380              | 23,043,380            | -                    | 0.97%  |
| Tower Dawson, LLC                 | 21,965,108              | 21,965,108            | -                    | 0.92%  |
| One Irvington Center              | 21,315,634              | 21,315,634            | -                    | 0.89%  |
| William M. Rickman                | 20,899,264              | 20,899,264            | -                    | 0.88%  |
| Washington Real Estate Investment | 20,066,466              | 20,066,466            | -                    | 0.84%  |
| Total                             | <u>\$ 258,836,011</u>   | <u>\$ 184,315,601</u> | <u>\$ 74,520,410</u> | <u>0.00%</u>   |
| Total Assessable Value            | <u>\$ 2,383,853,895</u> |                       |                      | <u>100.00%</u>   |

Source: State of Maryland Department of Assessment and Taxation.

# City of Rockville, Maryland

## Revenue Capacity Information (unaudited) Property Tax Levies and Collections, Last Ten Fiscal Years

| Fiscal Year<br>Ended<br>June 30, | Taxes Levied<br>for the<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|----------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                  |  | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2001                             | 18,696,967                             | 18,122,645                                      | 96.9                  | 315,853                               | 18,438,498                | 98.6                  |
| 2002                             | 20,747,696                             | 19,546,914                                      | 94.2                  | 842,049                               | 20,388,963                | 98.6                  |
| 2003                             | 22,578,731                             | 21,732,287                                      | 96.3                  | (235,304)                             | 21,496,983                | 98.6                  |
| 2004                             | 24,315,580                             | 23,325,909                                      | 95.9                  | 61,017                                | 23,389,926                | 98.6                  |
| 2005                             | 26,398,958                             | 26,027,181                                      | 98.6                  | 87,464                                | 26,114,645                | 98.6                  |
| 2006                             | 28,956,431                             | 28,410,726                                      | 98.1                  | 91,920                                | 28,502,646                | 98.6                  |
| 2007                             | 31,124,821                             | 30,670,042                                      | 98.5                  | 534,609                               | 31,204,651                | 98.6                  |
| 2008                             | 33,234,662                             | 32,630,186                                      | 98.2                  | 126,255                               | 32,756,441                | 98.5                  |
| 2009                             | 36,589,554                             | 35,682,475                                      | 97.5                  | 461,407                               | 36,143,882                | 98.7                  |
| 2010                             | 31,804,031                             | 31,710,185                                      | 99.7                  | 1,139,217                             | 32,849,402                | 1.0                   |

# City of Rockville, Maryland

## Debt Capacity Information (unaudited) Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

| Fiscal<br>Year | Governmental Activities |         | Business-Type Activities |                       | Percentage<br>of Personal<br>Income | Per<br>Capita |
|----------------|-------------------------|---------|--------------------------|-----------------------|-------------------------------------|---------------|
|                | General                 | Loan    | General                  | Total                 |                                     |               |
|                | Obligation<br>Bonds     | Payable | Obligation<br>Bonds      | Primary<br>Government |                                     |               |
| 2001           | 16,604,107              | -       | 8,701,478                | 25,305,585            | 9.68                                | 211           |
| 2002           | 16,771,487              | -       | 11,736,799               | 28,508,286            | 9.34                                | 553           |
| 2003           | 35,295,444              | -       | 18,656,273               | 53,951,717            | 5.13                                | 1,030         |
| 2004           | 46,024,724              | -       | 22,923,193               | 68,947,917            | 4.49                                | 1,197         |
| 2005           | 42,918,551              | 592,000 | 22,500,169               | 66,010,720            | N/A                                 | 1,107         |
| 2006           | 41,399,071              | 512,393 | 63,592,756               | 105,504,220           | N/A                                 | 1,763         |
| 2007           | 37,374,850              | 431,186 | 61,090,128               | 98,896,164            | N/A                                 | 1,733         |
| 2008           | 43,313,608              | 348,346 | 68,836,288               | 112,498,242           | N/A                                 | 1,828         |
| 2009           | 39,930,132              | 264,670 | 77,859,328               | 118,054,130           | N/A                                 | 1,895         |
| 2010           | 36,552,304              | 178,467 | 73,685,966               | 110,416,737           | N/A                                 | 1,771         |

Notes: Population estimates are from the City of Rockville Department of Community Planning and Development Services.

# City of Rockville, Maryland

## Debt Capacity Information (unaudited) Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years

| Fiscal<br>Year | General<br>Obligation<br>Bonds | Percentage of<br>Actual Taxable<br>Value of<br>Property | Per<br>Capita |
|----------------|--------------------------------|---|---------------|
| 2001           | 25,305,585                     | 0.07  | 348           |
| 2002           | 28,508,286                     | 0.02  | 330           |
| 2003           | 53,951,717                     | .05/.03   | 304           |
| 2004           | 68,947,917                     | .06/.04   | 607/326       |
| 2005           | 65,989,905                     | .03/.04   | 737/523       |
| 2006           | 105,504,220                    | .06/.04   | 671/463       |
| 2007           | 98,896,164                     | .05/.03   | 627/404       |
| 2008           | 112,498,242                    | 0.03  | 626           |
| 2009           | 118,054,130                    | 0.04  | 684           |
| 2010           | 110,416,737                    | 0.90  | 585           |

### Notes:

On September 8, 2003, the City paid off \$14,715,000 of 1993 series general obligation bonds, which were refunded on June 1, 2003, see footnote (2) E for details. Based upon the above information the restated ratios as of September 8, 2003 for adjusted net bonded debt to assessed value is 0.3%, the adjusted net bonded debt per capita would be \$326 and adjusted net bonded debt per capita as a percentage of per capita income would be 1.1% and the ratio for adjusted net bonded debt to assessed value is 0.3%.

The City issued \$12,350,000 of short-term Bond Anticipation Notes (BAN's) in June 2004 for costs associated with the redevelopment of Town Center. The BAN's was repaid with the developer contributions during FY 2006. Based upon the above information the restated dollar amount for adjusted net bonded debt per capital would be \$463, adjusted net bonded debt per capita as a percentage of per capita income would be 1.9% and the ratio for adjusted net bonded debt to assessed value is 0.4%.

On September 23, 2005, the City issued \$56,735,000 in general obligation bonds for costs associated with the development of Town Center. Based upon the above information the restated dollar amount for adjusted net bonded debt per capita would be \$463, adjusted net bonded debt per capita as a percentage of per capita income would be 2.0% and the ratio for adjusted net bonded debt to assessed value is 0.4%.

# City of Rockville, Maryland

## Debt Capacity Information (unaudited) Direct and Overlapping Governmental Activities Debt

|  | Debt<br>Outstanding            | Estimated<br>Percentage<br>Applicable | Estimated<br>Share of<br>Overlapping<br>Debt |
|--|--------------------------------|---------------------------------------|--|
| City of Rockville                        | \$ 36,730,771                  | 100.00%                               | \$ 36,730,771                                |
| Montgomery County, Maryland              | <u>2,367,386,500</u>           | 7.34%                                 | <u>173,766,169</u>                           |
| <b>Total direct and overlapping debt</b> | <u><u>\$ 2,404,117,271</u></u> |                                       | <u><u>\$210,496,940</u></u>                  |

### Notes:

- The City is not restricted by legal debt limit.
- Amounts are based on 2010 assessed valuations reported by the State of Maryland Department of Assessments and Taxation.
- Debt for Montgomery County was obtained from the Montgomery County website.



## City of Rockville, Maryland

### Demographic and Economic Information (unaudited) Demographic and Economic Statistics, Last Ten Fiscal Years

| Fiscal<br>Year | Population | Personal<br>Income<br>(thousands<br>of dollars) | Per<br>Capita<br>Personal<br>Income | Unemployment<br>Rate |
|----------------|------------|---|-------------------------------------|----------------------|
| 2001           | 49,511     | 2,452,131                                       | 49,257                              | 2.30                 |
| 2002           | 51,578     | 2,665,086                                       | 51,671                              | 2.80                 |
| 2003           | 52,401     | 2,770,650                                       | 52,874                              | 2.60                 |
| 2004           | 57,619     | 3,097,251                                       | 53,754                              | 3.10                 |
| 2005           | 59,618     | N/A   | N/A                                 | 3.18                 |
| 2006           | 59,851     | N/A   | N/A                                 | 2.80                 |
| 2007           | 60,889     | N/A   | N/A                                 | 2.70                 |
| 2008           | 61,527     | N/A   | N/A                                 | 2.62                 |
| 2009           | 62,293     | N/A   | N/A                                 | 4.15                 |
| 2010           | 62,476     | N/A   | N/A                                 | 5.03                 |

Notes:

- Population estimates are from City of Rockville Department of Community Planning and Development Services, which were completed as a part of Metropolitan Washington Council of Governments Round 8 Projection, 2010.
- Unemployment rates for 2005 to 2010 are a twelve month average taken from Bureau of Labor Statistics.

# City of Rockville, Maryland

Demographic and Economic Information (unaudited)  
Principal Employers, Current Year and Nine Years Ago

| Employer   | Fiscal Year 2010 |      | Percentage<br>of Total<br>City<br>Employment | Fiscal Year 2001 |      | Percentage<br>of Total<br>City<br>Employment |
|--|------------------|------|--|------------------|------|--|
|  | Employees        | Rank |  | Employees        | Rank |  |
| Westat Inc.                                      | 1900             | 1    | 5.87%  | 2,211            | 1    | 7.90%  |
| Human Genome Sciences                            | 850              | 2    | 2.62%  | *                |      | 0.00%  |
| Community Services for Autistic Adult & Children | 600              | 3    | 1.85%  | *                |      | 0.00%  |
| Wolpoff & Abramson, LLP                          | 500              | 4    | 1.54%  | *                |      | 0.00%  |
| Booz Allen Hamilton                              | 500              | 5    | 1.54%  | *                |      | 0.00%  |
| Lockheed Martin Information Systems              | 500              | 6    | 1.54%  | *                |      | 0.00%  |
| US Pharmacopeia                                  | 470              | 7    | 1.45%  | *                |      | 0.00%  |
| BioReliance                                      | 447              | 8    | 1.38%  | *                |      | 0.00%  |
| Legal & General America/Banner Life Insurance    | 370              | 9    | 1.14%  | *                |      | 0.00%  |
| J. Craig Venter Institute                        | 326              | 10   | 1.01%  | *                |      | 0.00%  |
| Aspen Systems Corp                               | *                |      | 0.00%  | 900              | 2    | 3.21%  |
| Thompson Publishing                              | *                |      | 0.00%  | 560              | 3    | 2.00%  |
| Hewlett Packard Company                          | *                |      | 0.00%  | 540              | 4    | 1.93%  |
| MAMSI  | *                |      | 0.00%  | 400              | 5    | 1.43%  |
| Celera Geonomics                                 | *                |      | 0.00%  | 365              | 6    | 1.30%  |
| BAE Systems                                      | *                |      | 0.00%  | 300              | 7    | 1.07%  |
| Federal Data Corp                                | *                |      | 0.00%  | 275              | 8    | 0.98%  |
| McKesson HBOC                                    | *                |      | 0.00%  | 160              | 9    | 0.57%  |
| Shire Pharmaceuticals                            | *                |      | 0.00%  | 110              | 10   | 0.39%  |
| Total  | <u>6,463</u>     |      | <u>19.94%</u>                                | <u>5,821</u>     |      | <u>20.78%</u>                                |
| Total City Employment                            | <u>32,393</u>    |      |  | <u>28,004</u>    |      |  |

Source: Rockville Economic Development Incorporated.

# City of Rockville, Maryland

## Operating Information (unaudited) Full-Time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years

| Function/Program           | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General Government         |        |        |        |        |        |        |        |        |        |        |
| Mayor and Council          | 7.0    | 6.5    | 6.5    | 5.5    | 5.5    | 4.5    | 4.5    | 4.0    | 5.0    | 3.0    |
| City Manager               | 21.6   | 18.6   | 18.1   | 16.1   | 16.1   | 21.4   | 21.6   | 23.6   | 28.0   | 28.0   |
| City Attorney              | -      | -      | -      | -      | -      | -      | -      | -      | -      | 5.0    |
| Human Resources            | 8.0    | 8.0    | 8.0    | 8.0    | 8.0    | 8.0    | 8.0    | 8.0    | 9.0    | 10.0   |
| Finance                    | 28.0   | 28.0   | 28.0   | 27.5   | 27.5   | 28.5   | 29.0   | 29.0   | 30.0   | 30.0   |
| Information and technology | 19.0   | 20.0   | 21.0   | 21.0   | 21.0   | 21.0   | 21.0   | 20.0   | 17.5   | 17.5   |
| Community development      | 48.0   | 41.0   | 46.0   | 44.0   | 44.0   | 44.0   | 45.0   | 43.6   | 43.6   | 42.6   |
| Community service          | 12.0   | 24.0   | 26.5   | 27.5   | 27.0   | 13.0   | -      | -      | -      | -      |
| Public Safety              | 63.8   | 67.5   | 67.5   | 68.5   | 68.5   | 79.0   | 85.5   | 84.0   | 88.0   | 90.0   |
| Public Works               | 61.5   | 62.0   | 63.1   | 63.0   | 66.5   | 62.1   | 62.1   | 63.1   | 74.2   | 76.1   |
| Recreation and parks       | 142.0  | 143.7  | 145.8  | 146.4  | 139.5  | 138.2  | 148.4  | 147.5  | 151.7  | 151.1  |
| Water                      | 17.6   | 18.9   | 18.8   | 19.9   | 20.0   | 21.3   | 24.3   | 26.3   | 24.3   | 24.0   |
| Sewer                      | 11.4   | 11.6   | 11.6   | 11.6   | 13.0   | 13.2   | 13.2   | 13.2   | 14.0   | 13.5   |
| Refuse collection          | 42.0   | 42.0   | 42.0   | 44.0   | 43.0   | 45.9   | 45.9   | 45.9   | 40.9   | 37.3   |
| Parking                    | -      | -      | -      | -      | -      | 1.0    | 1.0    | 6.5    | 7.4    | 6.0    |
| Stormwater management      | 11.5   | 11.5   | 11.5   | 11.5   | 11.5   | 11.5   | 12.0   | 10.5   | 10.7   | 11.2   |
| Golf course                | 13.8   | 12.8   | 12.8   | 12.8   | 10.8   | 9.8    | 9.8    | 9.8    | 9.8    | 9.8    |
| Total                      | 507.20 | 516.10 | 527.20 | 527.30 | 521.90 | 522.40 | 531.30 | 535.00 | 554.10 | 555.10 |

## Notes:

- In 2007 the Community Services Department merged with Recreation and Parks Department.
- Information was obtained from pages 1-12 of the FY 2011 Adopted Budget.

## City of Rockville, Maryland

### Operating Information (unaudited) Capital Asset Statistics by Function/Program, Last Ten Fiscal Years

|   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007    | 2008    | 2009    | 2010    |
|---|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| Function/Program                          |        |        |        |        |        |        |         |         |         |         |
| Police                                    |        |        |        |        |        |        |         |         |         |         |
| Vehicles                                  | 64     | 64     | 48     | 54     | 60     | 64     | 66      | 66      | 72      | 69      |
| Refuse collection                         |        |        |        |        |        |        |         |         |         |         |
| Collection trucks                         | 13     | 13     | 12     | 14     | 13     | 13     | 15      | 15      | 16      | 16      |
| Other public works                        |        |        |        |        |        |        |         |         |         |         |
| Streets (miles)                           | 143    | 144    | 147.81 | 150.57 | 156.42 | 156.42 | 156.42  | 156.42  | 156.42  | 251.02  |
| Street lights                             | 4,729  | 4,868  | 5,752  | 5,770  | 5,797  | 5,797  | 2,992   | 2,992   | 2,992   | 3,064   |
| Sidewalks (miles)                         | 221.09 | 227.75 | 227.75 | 261.21 | 297.62 | 297.62 | 297.62  | 297.62  | 297.62  | 156.42  |
| Recreation and Parks                      |        |        |        |        |        |        |         |         |         |         |
| Acreage                                   | 955    | 935    | 935    | 944    | 1,020  | 1,050  | 1,050   | 1,050   | 1,071   | 1,061   |
| Playgrounds                               | 34     | 36     | 36     | 36     | 39     | 40     | 41      | 41      | 48      | 52      |
| Picnic Areas                              | 29     | 30     | 30     | 30     | 33     | 34     | 34      | 34      | 34      | 39      |
| Community centers                         | 4      | 4      | 4      | 5      | 5      | 5      | 5       | 5       | 6       | 6       |
| Water                                     |        |        |        |        |        |        |         |         |         |         |
| Water mains (miles)                       | 185    | 185    | 148.84 | 179.65 | 178.00 | 178.40 | 178.40  | 178.40  | 178.40  | 178.80  |
| Fire hydrants                             | 1,237  | 1,248  | 1,302  | 1,320  | 1,369  | 1,369  | 1,369   | 1,369   | 1,369   | 1,372   |
| Storage capacity<br>(millions of gallons) | 8.0000 | 8.0000 | 8.0000 | 8.0000 | 8.0000 | 8.0000 | 12.1000 | 12.1000 | 12.1000 | 12.1000 |
| Sewer                                     |        |        |        |        |        |        |         |         |         |         |
| Sanitary sewers (miles)                   | 133.06 | 133.85 | 136.01 | 165.45 | 148.00 | 140.20 | 140.20  | 140.20  | 141.60  | 148.40  |
| Storm sewers (miles)                      | 58.40  | 59.90  | 62.14  | 103.14 | 97.60  | 97.60  | 97.60   | 97.60   | 97.60   | 100.00  |

Note:

- In FY 2010, the number of existing sidewalks is lower than previously reported. Tools used to measure the infrastructure are now more accurate than in previous years. Information was obtained from various City departments.

# City of Rockville, Maryland

## Operating Information (unaudited) Operating Indicators by Function/Program, Last Ten Fiscal Years

| Function/Program                                     | 2001          | 2002           | 2003          | 2004           | 2005          | 2006           | 2007          | 2008          | 2009          | 2010          |
|--|---------------|----------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|
| General Government                                   |               |                |               |                |               |                |               |               |               |               |
| Building permits issued                              | 1,451         | 1,778          | 1,812         | 1,527          | 1,469         | 990            | 998           | 908           | 741           | 721           |
| Estimated Cost of Constr                             | \$201,032,984 | \$ 212,950,915 | \$266,284,496 | \$ 135,956,673 | \$202,325,236 | \$ 217,801,267 | \$339,709,197 | \$152,204,771 | \$161,437,877 | \$ 57,578,308 |
| Police   |               |                |               |                |               |                |               |               |               |               |
| Physical arrests                                     | 492           | 807            | 982           | 1,132          | 1,173         | 1,144          | 1,213         | 1,165         | 1,196         | 713           |
| Traffic violations                                   | 15,681        | 17,804         | 21,424        | 27,637         | 25,851        | 21,213         | 22,478        | 20,337        | 13,922        | 10,735        |
| Refuse collection                                    |               |                |               |                |               |                |               |               |               |               |
| Refuse collected<br>(tons per year)                  | 20,971        | 20,861         | 21,720        | 20,760         | 21,600        | 22,676         | 23,021        | 13,734        | 12,040        | 11,495        |
| Recyclables collected<br>(tons per year)             | 8,854         | 9,126          | 9,000         | 9,720          | 17,640        | 18,100         | 18,761        | 7,420         | 7,255         | 8,802         |
| Recreation and Parks                                 |               |                |               |                |               |                |               |               |               |               |
| Program enrollments                                  | 10,713        | 27,880         | 28,674        | 30,767         | 30,704        | 29,525         | 31,535        | 32,260        | 32,610        | 31,359        |
| Water  |               |                |               |                |               |                |               |               |               |               |
| Number of Accounts                                   | 11,850        | 11,968         | 12,182        | 12,379         | 12,487        | 12,461         | 12,472        | 12,614        | 12,654        | 12,623        |
| Average daily consumption<br>(millions of gallons)   | 4.310         | 4.768          | 5.116         | 4.765          | 4.149         | 4.865          | 5.013         | 5.000         | 5.016         | 4.813         |
| Sewer  |               |                |               |                |               |                |               |               |               |               |
| Avg. daily sewer treatment<br>(thousands of gallons) | 6,910         | 7,106          | 7,523         | 7,000          | 6,910         | 6,850          | 6,850         | 6,850         | 6,850         | 6,555         |

Note:

- Information was obtained from various City departments.